

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 22, 2020

NEW ISSUE (BOOK-ENTRY ONLY)

Rating: See "RATING" herein

In the opinion of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the City ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Federally Taxable General Improvement Bonds (as defined herein) is includable in gross income for Federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Federally Taxable General Improvement Bonds and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

**CITY OF BAYONNE
IN THE CITY OF HUDSON
STATE OF NEW JERSEY**

\$27,026,000* FEDERALLY TAXABLE GENERAL IMPROVEMENT BONDS, SERIES 2020

(CALLABLE)

Dated: Date of Delivery

Due: February 1, as shown on the inside front cover page

The \$27,026,000* Federally Taxable General Improvement Bonds, Series 2020, (the "Federally Taxable General Improvement Bonds" or the "Bonds"), are dated their date of delivery and are general obligations of the City of Bayonne, in the County of Hudson, State of New Jersey (the "City") and, unless payable from other sources, are payable from ad valorem taxes levied upon all the taxable property within the City for the payment of the Bonds and the interest thereon without limitation as to rate or amount. See "SECURITY AND SOURCE OF PAYMENT" herein.

The Bonds will be in fully registered book-entry only form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any integral multiple thereof, except that those Bonds in excess of the largest principal amount thereof not equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof, through book entries made on the books and records of DTC and its participants.

The Bonds will be issued in the form of one certificate for the aggregate principal amount thereof maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants or transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$5,000 or any integral multiple thereof, except that those Bonds in excess of the largest principal amount thereof not equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. See "DESCRIPTION OF THE BONDS – General Description" herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants, which will in turn remit such payments to the owners of beneficial interest in the Bonds. Principal of the Bonds is payable on February 1 in each of the years set forth on the inside front cover page hereof. Interest on the Bonds is payable on February 1 and August 1, commencing February 1, 2021, in each year until maturity or prior redemption, as applicable. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year.

The Bonds are subject to redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS - Optional Redemption" herein.

The Bonds are not a debt or obligation, legal, moral or otherwise, of the State of New Jersey, or any county, municipality or political subdivision thereof other than the City.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement, including Appendices hereto, to obtain information essential to their making an informed decision.

The Bonds are offered when, as and if issued and subject to prior sale, withdrawal or modification of the offer without notice and to the approval of legality by the law firm of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the City, and certain other conditions described herein. NW Financial Group, LLC, Hoboken, New Jersey, has acted as Municipal Advisor to the City. It is expected that the Bonds will be available for delivery through the facilities of DTC, New York, New York, on or about May 11, 2020.

The Bonds will be sold on the basis of the maturity schedule set forth herein. Prospective bidders may bid on the Bonds in conformance with the applicable notice of sale for the Bonds. All Bids must be submitted in their entirety via "PARITY Electronic Bid Submission System" (PARITY) prior to 11:00 a.m., prevailing New Jersey time on April 29, 2020.

To bid, bidders must submit Good Faith Check(s) or wire transfer(s) in the amount of \$540,520 for the Bonds received by the City prior to bidding.

* Preliminary, subject to change

**CITY OF BAYONNE
IN THE COUNTY OF HUDSON
STATE OF NEW JERSEY**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS

\$27,026,000* FEDERALLY TAXABLE GENERAL IMPROVEMENT BONDS, SERIES 2020

<u>Maturity February 1</u>	<u>Principal Amounts*</u>	<u>Interest Rates</u>	<u>Yields</u>	<u>CUSIPS**</u>
2021	\$750,000			
2022	750,000			
2023	750,000			
2024	750,000			
2025	750,000			
2026	750,000			
2027	750,000			
2028	750,000			
2029	750,000			
2030	750,000			
2031	750,000			
2032	750,000			
2033	750,000			
2034	750,000			
2035	750,000			
2036	750,000			
2037	750,000			
2038	785,000			
2039	825,000			
2040	870,000			
2041	915,000			
2042	965,000			
2043	1,020,000			
2044	1,075,000			
2045	1,135,000			
2046	1,195,000			
2047	1,260,000			
2048	1,335,000			
2049	1,410,000			
2050	1,486,000			

* Preliminary, subject to change

** CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP Numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the City does not make any representations with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specified maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**CITY OF BAYONNE
IN THE COUNTY OF HUDSON
STATE OF NEW JERSEY**

MAYOR

James M. Davis

COUNCIL MEMBERS

Sharon Ashe-Nadrowski – Council President
Neil Carroll, III
Salvatore Gullace
Gary La Pelusa, Sr.
Juan M. Perez

CHIEF FINANCIAL OFFICER

Donna L. Mauer

CITY CLERK

Madelene C. Medina

CORPORATION COUNSEL

John F. Coffey, II, Esq.
Bayonne, New Jersey

AUDITOR

Donohue, Gironda, Doria & Tomkins, LLC
Bayonne, New Jersey

BOND COUNSEL

Archer & Greiner P.C.
Red Bank, New Jersey

MUNICIPAL ADVISOR

NW Financial Group, LLC
Hoboken, New Jersey

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and if given or made, such information or representation must not be relied upon as having been authorized by the City.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The presentation of information in this Official Statement is intended to show recent historic information and except as expressly stated otherwise, it is not intended to indicate future or continuing trends in the financial conditions or other affairs of the City. No representation is made that past experience, as is shown by the financial and other information, will necessarily continue or be repeated in the future.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

All quotations from and summaries and explanations of provisions of laws herein do not purport to be complete, and reference is made to such laws for full and complete statements of their provisions.

This Official Statement is not to be construed as a contract or an agreement between the City and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information, estimates and expressions of opinion herein are subject to change without notice. The delivery of this Official Statement or any sale of the Bonds made hereunder shall not, under any circumstances, create any indication that there has been no change in the affairs of the City with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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OFFICIAL STATEMENT
OF THE
CITY OF BAYONNE
IN THE COUNTY OF HUDSON, STATE OF NEW JERSEY
RELATING TO
\$27,026,000*
FEDERALLY TAXABLE GENERAL IMPROVEMENT BONDS, SERIES 2020

INTRODUCTION

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the City of Bayonne (the "City"), in the County of Hudson (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of \$27,026,000* Federally Taxable General Improvement Bonds, Series 2020 (the "Federally Taxable General Improvement Bonds" or the "Bonds"). This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared and compiled on behalf of the City by the Chief Financial Officer, with the assistance of Bond Counsel (as defined herein), Corporation Counsel (as defined herein) and the Auditor (as defined herein) as further described under the heading "PREPARATION OF OFFICIAL STATEMENT" herein and has been authorized by the City to be distributed in connection with the sale and issuance of the Bonds.

This Official Statement contains specific information relating to the Bonds, including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to these issues. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts and disbursements, is intended to show recent historical information and, but only to the extent specifically provided herein, certain projections of the immediate future, and is not necessarily indicative of future or continuing trends in the financial position or other affairs of the City.

DESCRIPTION OF THE BONDS

General Description

The Bonds are dated the date of delivery and shall mature in the principal amounts on February 1 in each of the years set forth in the table appearing on the inside front cover hereof. The Bonds shall bear interest at the rates shown on the inside front cover page hereof from their date of delivery, which interest shall be payable semiannually on the first day of February and August (each an "Interest Payment Date"), commencing February 1, 2021, in each year until maturity or prior redemption, as applicable. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be paid by check, draft or wire transfer mailed, delivered or transmitted to the registered owners of the Bonds as of each respective January 15 and July 15 preceding an Interest Payment Date (the "Record Dates"), at the address shown on the registration books for the Bonds kept for that purpose by the Chief Financial Officer, as Registrar and Paying Agent.

The Bonds, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds (the "Securities Depository"). Purchases of beneficial interests in the Bonds will be made in book-entry only form, without certificates, in denominations of \$5,000 or any integral multiple thereof, except that those Bonds in excess of the largest principal amount thereof not equaling a multiple of \$5,000 shall be in

* Preliminary, subject to change

denominations of \$1,000 or any integral multiple thereof, through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Bonds are exchangeable for one or more fully registered Bond certificates of like series, maturity and tenor in authorized denominations.

So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payment of the principal of and interest on the Bonds will be made directly by the City as Paying Agent, or some other paying agent as may be designated by the City, to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the owners of beneficial interests in the Bonds is the responsibility of the DTC Participants (as hereinafter defined). See "THE DEPOSITORY TRUST COMPANY ("DTC") INFORMATION" herein.

Optional Redemption

The Bonds of this issue maturing prior to February 1, 2031 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after February 1, 2031 are subject to redemption at the option of the City, in whole or in part, on any date on or after February 1, 2030. Redemption of the Bonds may proceed upon notice as required herein at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

Notice of redemption ("Notice of Redemption") shall be given by mailing such notice at least thirty (30) days but not more than sixty (60) days before the date fixed for redemption by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the City or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notice of Redemption shall be sent to such Securities Depository and shall not be sent to the beneficial owners of the Bonds. Any failure of the Securities Depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the City determines to redeem a portion of the Bonds prior to maturity, such Bonds shall be selected by the City; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

If Notice of Redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption.

AUTHORIZATION FOR THE ISSUANCE OF THE BONDS

The Bonds are authorized by and are issued pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), a bond ordinance duly adopted by the City Council of the City on the dates set forth in the chart below and published as required by law, and by a resolution duly adopted by the City Council of the City on April 15, 2020 (the "Resolution").

The bond ordinance authorizing the Bonds was published in full or in summary, as applicable, after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides, that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the City.

PURPOSE OF BOND ISSUE AND USE OF BOND PROCEEDS

The proceeds of the Bonds will be utilized to permanently finance \$27,026,000 of taxable notes of the City issued on May 24, 2019 and maturing on May 22, 2020, previously issued for the payment of certain obligations of the Bayonne Redevelopment Authority. The Bonds and the improvements or

purposes for which the Bonds are to be issued has been authorized by a bond ordinance duly adopted by the City Council of the City on the date set forth in the following table and published as required by law:

Federally Taxable General Improvement Bonds

O-13-23	Providing For The Payment Of Certain Obligations Of The Bayonne Redevelopment Authority, Finally Adopted August 14, 2013	\$27,026,000
TOTAL FEDERALLY TAXABLE GENERAL IMPROVEMENT BONDS		<u>\$27,026,000</u>

Security and Payment for the Bonds

The Bonds are valid and legally binding general obligations of the City for which the full faith and credit of the City are irrevocably pledged for the punctual payment of the principal of and interest on the Bonds. Unless otherwise paid from other sources, the City has the power and is obligated by law to levy *ad valorem* taxes upon all the taxable property within the City for the payment of the principal of the Bonds and the interest thereon without limitation as to rate or amount.

The City is required by law to include the total amount of principal and interest on all of its general obligation indebtedness, such as the Bonds, for the current year in each annual budget unless provision has been made for payment from other sources. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "MUNICIPAL BANKRUPTCY" herein.

The Bonds are not a debt or obligation, legal, moral or otherwise, of the State, the County or any political subdivision thereof, other than the City.

No Default

There is no report of any default in the payment of the principal of, redemption premium, if any, and interest on the bonds, or other obligations of the City as of the date hereof.

THE DEPOSITORY TRUST COMPANY ("DTC") INFORMATION

The Depository Trust Company ("DTC"), New York, New York will act as Securities Depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, as set forth on the inside front cover hereof, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing

corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy (the "Omnibus Proxy") to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered by the City.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

THE AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuance of Book-Entry Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the City or Paying Agent; (ii) the transfer of any Bonds may be registered on the books maintained by the City or Paying Agent for such purposes only upon the surrender thereof to the City or Paying Agent together with the duly executed assignment in form satisfactory to the City or Paying Agent; and (iii) for every exchange or registration of transfer of Bonds, the City or Paying Agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on the Interest Payment Date to the registered owners thereof.

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Procedure for Authorization

The City has no constitutional limit on its power to incur indebtedness other than that it may issue obligations only for public purposes pursuant to State statutes. The authorization and issuance of City debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters are statutory. The City is not required to submit the proposed incurrence of indebtedness to a public referendum.

The City, by bond ordinance, may authorize and issue negotiable obligations for the financing of any capital improvement or property which it may lawfully acquire, or any purpose for which it is authorized or required by law to make an appropriation, except current expenses and payment of obligations (other than those for temporary financings). Bond ordinances must be finally approved by the recorded affirmative vote of at least two-thirds of the full membership of the City Council of the City. The Local Bond Law requires publication and posting of the bond ordinance or a summary thereof. If the bond ordinance requires approval or endorsement of the State, it cannot be finally adopted until such approval has been received. The Local Bond Law provides that a bond ordinance shall take effect twenty (20) days after the first publication thereof after final adoption. At the conclusion of the twenty-day period all challenges to the validity of the obligations authorized by such bond ordinance shall be precluded except for constitutional matters. Moreover, after issuance, all obligations are conclusively presumed to be fully authorized and issued by all laws of the State and any person shall be estopped from questioning their sale, execution or delivery by the City.

Local Bond Law (N.J.S.A. 40A:2-1 et seq.)

The Bonds are being issued pursuant to the provisions of the Local Bond Law. The Local Bond Law governs the issuance of bonds and notes to finance certain municipal capital expenditures. Among its provisions are requirements that bonds or notes must mature within the statutory period of usefulness of the

projects being financed, that bonds be retired in either serial or sinking fund installments and that, unlike school debt, and with some exceptions, including self-liquidating obligations and those improvements involving certain State grants, a five percent (5%) cash down payment of the amount of bond and notes authorized must be generally provided. Such down payment must have been raised by budgetary appropriations, from cash on hand previously contributed for the purpose or by emergency resolution adopted pursuant to the Local Budget Law, N.J.S.A. 40A:4-1 et seq., as amended and supplemented (the "Local Budget Law"). All bonds and notes issued by the City are general "full faith and credit" obligations.

Short-Term Financing

Local governmental units, including counties, may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or subsequent resolution so provides. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount of bonds authorized in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued and renewed for periods not exceeding one (1) year, with the final maturity occurring and being paid no later than the first day of the fifth month following the close of the tenth fiscal year after the original issuance of the notes, provided that no notes may be renewed beyond the third anniversary date of the original notes and each anniversary date thereafter unless an amount of such notes, at least equal to the first legally payable installment of the anticipated bonds (the first year's principal payment), is paid and retired from funds other than the proceeds of obligations on or before the third anniversary date and each anniversary date thereafter.

Tax anticipation notes are limited in amount by law and, in the case of the City, may be renewed from time to time, but all such Bonds and renewals thereof must mature not later than June 30 of the succeeding fiscal year.

Refunding Bonds (N.J.S.A. 40A:2-51 et seq.)

Refunding bonds may be issued by a local unit pursuant to the Local Bond Law for the purpose of paying, funding or refunding its outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds. In certain circumstances, the Local Finance Board, in the Division of Local Government Services, New Jersey Department of Community Affairs (the "Local Finance Board") must approve the authorization of the issuance of refunding bonds.

Statutory Debt Limitation

There are statutory requirements which limit the amount of debt which the City is permitted to authorize. The authorized bonded indebtedness of a City is limited by the Local Bond Law and other laws to an amount equal to two percent (2.00%) of its stated average equalized valuation basis, subject to certain exceptions noted below. N.J.S.A. 40A:2-6. The stated equalized valuation basis is set by statute as the average of the aggregate equalized valuations of all taxable real property, together with improvements to such property, and the assessed valuation of Class II railroad property within the boundaries of the City for each of the last three (3) preceding years as annually certified in the valuation of all taxable real property, in the Table of Equalized Valuations by the Director of the Division of Taxation, in the New Jersey Department of the Treasury (the "Division of Taxation"). N.J.S.A. 40A:2-2. Certain categories of debt are permitted by statute to be deducted for the purposes of computing the statutory debt limit. N.J.S.A. 40A:2-43, -44. The Local Bond Law permits the issuance of certain obligations, including obligations issued for certain emergency or self-liquidating purposes, notwithstanding the statutory debt limitation described above; but, with certain exceptions, it is then necessary to obtain the approval of the Local Finance Board. See "Exceptions to Debt Limitation - Extensions of Credit" below.

Exceptions to Debt Limitation - Extensions of Credit (N.J.S.A. 40A:2-7)

The debt limit of the City may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed its debt limit, the City must apply to the Local Finance Board for an extension of credit. The Local Finance Board considers the request, concentrating its review on the effect of the proposed authorization on outstanding obligations and operating expenses and the anticipated ability to meet the proposed obligations. If the Local Finance Board determines that a proposed debt authorization is not unreasonable or exorbitant, that the purposes or improvements for which the obligations are issued are in the public interest and for the health, welfare and convenience or betterment of the inhabitants of the City and that the proposed debt authorization would not materially impair the credit of the City or substantially reduce the ability of the City to meet its obligations or to provide essential services that are in the public interest and makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain obligations, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes) plus two-thirds of the amount raised in the tax levy of the current fiscal year by the local unit for the payment of bonds or Bonds of any school district. The City has not exceeded its debt limit.

DEBT INFORMATION OF THE CITY

The City must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division before final passage of any debt authorization other than a refunding debt authorization. Before the end of the first month (January 31) of each fiscal year of the City, the City must file an Annual Debt Statement which is dated as of the last day of the preceding fiscal year (December 31) with the Division and with the City Clerk. This report is made under oath and states the authorized, issued and unissued debt of the City as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing. Even though the City's authorizations are within its debt limits, the Division is able to enforce State regulations as to the amounts and purposes of local borrowings.

FINANCIAL MANAGEMENT

Accounting and Reporting Practices

The accounting policies of the City conform to the accounting principles applicable to local governmental units which have been prescribed by the Division. A modified accrual basis of accounting is followed with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from other governmental units and which are accrued. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue only when received. Expenditures are generally recorded on the accrual basis, except that unexpended appropriations at December 31, unless canceled by the governing body, are reported as expenditures with offsetting appropriation reserves. Appropriation reserves are available, until lapsed at the close of the succeeding fiscal year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are credited to the results of operations. As is the prevailing practice among municipalities and counties in the State, the City does not record obligations for accumulated unused vacation and sick pay.

Local Budget Law (N.J.S.A. 40A:4-1 et seq.)

The foundation of the State local finance system is the annual cash basis budget. Every local unit, including the City, must adopt an annual operating budget in the form required by the Division. Certain items of revenue and appropriation are regulated by law and the proposed operating budget cannot be finally adopted until it has been certified by the Director, or in the case of a local unit's examination of its own budget as described herein, such budget cannot be finally adopted until a local examination certificate has

been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director, or in the case of the local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director or, in the case of local examination, the local unit may examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and non-disbursement items. Taxes levied are a product of total appropriations, less non-tax revenues, plus a reserve predicated on the prior year's collection experience.

The Director, in reviewing the budget, has no authority over individual operating appropriations, unless a specific amount is required by law, but the Director's budgetary review functions, focusing on anticipated revenues, and serves to protect the solvency of the local unit. Local budgets, by law and regulation, must be in balance on a "cash basis", i.e., the total of anticipated revenues must equal the total of appropriation. N.J.S.A. 40A:4-22. If in any year the City's expenditures exceed its realized revenues for that year, then such excess (deficit) must be raised in the succeeding year's budget.

In accordance with the Local Budget Law and related regulations, (i) each local unit, with a population of 10,000 persons, must adopt and annually revise a six (6) year capital program (ii) each local unit, with a population under 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. See "CAPITAL IMPROVEMENT PROGRAM" herein.

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities, in addition to the general taxing power upon real property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate section of the budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "current" or operating budget.

State Supervision (N.J.S.A. 52:27BB-1 et seq.)

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two (2) successive years; which has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; which has failed to make payments due and owing to the State, county, school district or special district for two (2) consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (25%) of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law or the Local Fiscal Affairs Law which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring cash deficit.

Limitations on Expenditures ("Cap Law") (N.J.S.A. 40A:4-45.1, et seq.)

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law provides that the City shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year's final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the City may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the City for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than 3.5% over the previous year's final appropriations. See N.J.S.A. 40A:4-45.14. In addition,

N.J.S.A. 40A:4-45.15a restored "CAP" banking to the Local Budget Law. Municipalities are permitted to appropriate available "CAP Bank" in either of the next two (2) succeeding years' final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "CAP".

Additionally, P.L. 2010, c.44 imposes a 2% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care costs in excess of 2%, and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote of 50%.

The Division of Local Government Services has advised that counties and municipalities must comply with both budget "CAP" and the tax levy limitation. Neither the tax levy limitation nor the "CAP" law, however, limits the obligation of the City to levy *ad valorem* taxes upon all taxable property within the boundaries of the City to pay debt service on bonds and notes, including the Bonds.

Deferral of Current Expenses

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of a local unit, including the City, but only to meet unforeseen circumstances, to protect or promote public health, safety, morals or welfare, or to provide temporary housing or public assistance prior to the next succeeding fiscal year. However, with certain exceptions described below, such appropriations must be included in full as a deferred charge in the following year's budget. Any emergency appropriation must be declared by resolution according to the definition provided in N.J.S.A. 40A:4-48, and approved by at least two-thirds of the full membership of the governing body and shall be filed with the Director. If such emergency appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director is required. N.J.S.A. 40A:4-49.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between major appropriation accounts are prohibited until the last two (2) months of the municipality's fiscal year. Appropriation reserves may be transferred during the first three (3) months of the current fiscal year to the previous fiscal year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a two-thirds vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Generally, transfers cannot be made from the down payment account, the capital improvement fund, contingent expenses or from other sources as provided in the statute.

Anticipation of Real Estate Taxes

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. N.J.S.A 40A:4-29 sets limits on the anticipation of delinquent tax collections and provides that, "[t]he maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

In regard to current taxes, N.J.S.A. 40A:4-41(b) provides that, "[r]eceipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year."

This provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the sum will at least equal the tax levy required to balance the budget. The reserve requirement is calculated as follows:

$$\begin{array}{rcl} \text{Total of Local, County,} & - & \text{Anticipated Revenues} \\ \text{and School Levies} & & \\ \hline & = & \text{Cash Required from Taxes to Support} \\ & & \text{Local Municipal Budget and Other Taxes} \\ & & = \text{Amount to be} \\ \text{Cash Required from Taxes to Support Local Municipal Budget and Other Taxes} & & \text{Raised by} \\ \text{Prior Year's Percentage of Current Tax Collection (or Lesser \%)} & & \text{Taxation} \end{array}$$

Anticipation of Miscellaneous Revenues

N.J.S.A 40A:4-26 provides that, "[n]o miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years of such grants rarely coincide with a municipality's calendar fiscal year. Grant revenues are fully realized in the year in which they are budgeted by the establishment of accounts receivable and offsetting reserves.

Local Examination of Budgets (N.J.S.A. 40A:4-78(b))

Chapter 113 of the Laws of New Jersey of 1996 (N.J.S.A. 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997 the Local Finance Board has developed regulations that allow "eligible" and "qualifying" municipalities to locally examine their budget every two (2) of three (3) years.

Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

The Local Fiscal Affairs, N.J.S.A. 40A:5-1 et seq., as amended and supplemented (the "Local Fiscal Affairs Law"), regulates the non-budgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a Registered Municipal Accountant licensed in the State of New Jersey. The audit, conforming to the Division of Local Government Services, in the New Jersey Department of Community Affairs (the "Division") "Requirements of Audit", must be completed within six (6) months (June 30) after the close of the City's fiscal year (December 31), includes

recommendations for improvement of the local unit's financial procedures. The audit report must be filed with the City Clerk and is available for review during regular municipal business hours and shall, within five (5) days thereafter be filed with the Director of the Division (the "Director"). A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the City Clerk's receipt of the audit report. Accounting methods utilized in the conduct of the audit conform to practices prescribed by the Division, which practices differ in some respects from generally accepted accounting principals.

Annual Financial Statement (N.J.S.A. 40A:5-12 et seq.)

An annual financial statement ("Annual Financial Statement") which sets forth the financial condition of a local unit for the fiscal year must be filed with the Division not later than January 26 (in the case of a county) and not later than February 10 (in the case of a municipality) after the close of the calendar fiscal year, such as the City, or not later than August 10 of the State fiscal year for those municipalities which operate on the State fiscal year. The Annual Financial Statement is prepared either by the Chief Financial Officer or the Registered Municipal Accountant for the local unit. It reflects the results of operations for the year of the Current and Utility Funds. If the statement of operations results in a cash deficit, the deficit must be included in full in the succeeding year's budget. The entire annual audit report is filed with the clerk of the local unit and is available for review during business hours.

Investment of Municipal Funds

Investment of funds by municipalities is governed by N.J.S.A. 40A:5-14 et seq. Such statute requires municipalities to adopt a cash management plan pursuant to the requirements outlined by said statute. Once a municipality adopts a cash management plan it must deposit or invest its funds pursuant to such plan. N.J.S.A. 40A:5-15.1 provides for the permitted securities a municipality may invest in pursuant to its cash management plan. Some of the permitted securities are as follows: (a) obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"), (b) Government money market mutual funds which invest in securities permitted under the statute, (c) bonds of certain Federal Government agencies having a maturity date not greater than 397 days from the date of purchase, (d) bonds or other obligations of the particular municipality or school districts of which the local unit is a part or within which the school district is located, and (e) bonds or other obligations having a maturity date not greater than 397 days from the date of purchase and approved by the Division of Investment, in the New Jersey Department of the Treasury. Municipalities are required to deposit their funds in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. Municipalities are required to deposit their funds in interest-bearing bank accounts to the extent practicable and other permitted investments.

CAPITAL IMPROVEMENT PROGRAM

In accordance with the Local Budget Law, the City must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six (6) years as a general improvement program. The Capital Budget and Capital Improvement Program must be adopted as part of the annual budget pursuant to N.J.A.C. 5:30-4. The Capital Budget does not by itself confer any authorization to raise or expend funds, rather it is a document used for planning. Specific authorization to expend funds for such purposes must be granted, by a separate bond ordinance, by inclusion of a line item in the Capital Improvement Section of the budget, by an ordinance taking money from the Capital Improvement Fund, or other lawful means.

TAX ASSESSMENT AND COLLECTION

Assessment and Collection of Taxes

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current assessments are the result of maintaining new assessments on a "like" basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the assessment ratio to true value to its present level. This method assures equitable treatment to like property owners. Because of the escalation of property resale values, annual adjustments could not keep pace with the rising values.

Upon the filing of certified adopted budgets by the City, the local school district and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provisions for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special district.

For calendar year municipalities, tax bills are sent in June of the current fiscal year. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined as by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, county or school purposes for the preceding fiscal year.

Fiscal year municipalities follow the same general rationale for the billing of property taxes, however billing is processed semi-annually. The provisions of P.L. 1994, C. 72 changed the procedures for State fiscal year billing originally established in P.L. 1991, C. 75. Chapter 72 moves the billing calculation back on a calendar year basis, which permits tax levies to be proved more readily than before.

The formula used to calculate tax bills under P.L. 1994, C. 72 are as follows:

The third and fourth installments, for municipal purposes, would equal one-half of an estimated annual tax levy, plus the balance of the full tax levied during the current tax year for school, county and special district purposes. The balance of the full tax for non-municipal purposes is calculated by subtracting amounts due on a preliminary basis from the full tax requirement for the tax year. The first and second installments, for municipal purposes, will be calculated on a percentage of the previous years billing necessary to bill the amount required to collect the full tax levy, plus the non-municipal portion, which represents the amount payable to each taxing district for the period of January 1 through June 30.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) on the first \$1,500 of the delinquency and, then eighteen percent (18%) per annum on any amount in excess of \$1,500. A penalty of up to six percent (6%) of the delinquency in excess of \$10,000 may be imposed on a taxpayer who fails to pay that delinquency prior to the end of the tax year in which the taxes become delinquent. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State Statutes. Tax title liens are periodically assigned to the Director of Law (as defined herein) for in rem foreclosures in order to acquire title to these properties.

The provisions of chapter 99 of the Laws of New Jersey of 1997 allow a municipality to sell its total property tax levy to the highest bidder either by public sale with sealed bids or by public auction. The purchaser shall pay the total property tax levy bid amount in quarterly installments or in one annual installment. Property taxes will continue to be collected by the municipal tax collector and the purchaser will receive as a credit against his payment obligation the amount of taxes paid to the tax collector. The purchaser is required to secure his payment obligation to the municipality by an irrevocable letter of credit or surety bond. The purchaser is entitled to receive, all delinquent taxes and other municipal charges

owing, due and payable upon collection by the tax collector. The statute sets forth bidding procedures, minimum bidding terms and requires the review and approval of the sale by the Division.

Tax Appeals

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. The taxpayer has a right to file a petition on or before the 1st day of April of the current tax year for its review. The County Board of Taxation and the Tax Court of New Jersey have the authority after a hearing to increase, decrease or reject the appeal petition. Adjustments by the County Board of Taxation are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer believes the decision of the County Board of Taxation to be incorrect, appeal of the decision may be made to the Tax Court of New Jersey. State tax court appeals tend to take several years to conclude by settlement or trial and any losses in tax collection from prior years, after an unsuccessful trial or by settlement, are charged directly to operations.

TAX MATTERS

In the opinion of Bond Counsel, interest on the Bonds is includable in gross income for federal income tax purposes.

The following is a summary of certain United States federal income tax consequences of the ownership of the Bonds as of the date hereof. Each prospective investor should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as Treasury Regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the Bonds generally and does not purport to furnish information in the level of detail or with the investor's specific tax circumstances that would be provided by an investor's own tax advisor. For example, this summary is addressed only to original purchasers of the Bonds that are "U.S. holders" (as defined below), deals only with the Bonds held as a capital asset within the meaning of Section 1221 of the Code and does not address tax consequences to holders that may be relevant to investors subject to special rules. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in the Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of the Bonds. A "non-U.S. investor" is a holder (or beneficial owner) of the Bonds that is not a U.S. person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration, and (ii) one or more U.S. persons have the authority to control all of the trust's substantial decisions.

Sale or Redemption of the Bonds

A Bond owner's tax basis for the Bonds is the price such owner pays for the Bonds plus amounts of any original issue discount included in income, reduced on account of any payments received (other than "qualified periodic interest" payments) and any amortized premium. Gain or loss recognized on a sale, exchange or redemption of the Bonds, measured by the difference between the amount realized and the Bonds' basis as so adjusted, will generally give rise to capital gain or loss if the Bonds is held as a capital asset.

Possible Recognition of Taxable Gain or Loss Upon Defeasance of Bonds

Defeasance of any Bonds may result in a deemed exchange under Section 1001 of the Code, in which event the holder of such Bonds will recognize taxable gain or loss in an amount equal to the difference between the amount realized from the deemed exchange (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted basis in such Bonds.

Backup Withholding

A bondowner may, under certain circumstances, be subject to "backup withholding" (currently the rate of this withholding tax is 28%, but may change in the future) with respect to interest or original issue discount on the Bonds. This withholding generally applies if the owner of the Bonds (a) fails to furnish the City or its paying agent with its taxpayer identification number; (b) furnishes the City or its paying agent with an incorrect taxpayer identification number; (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide the City or its paying agent with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to bondowners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Owners of the Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

The amount of "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to payments on the Bonds will be reported to the bondowners and to the IRS.

Foreign Bond Owners

Under the Code, interest and original issue discount income with respect to the Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons ("Nonresidents") generally will not be subject to the United States withholding tax (or backup withholding) if the City or the Paying Agent (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Bonds is a Nonresident. The withholding tax may be reduced or eliminated by an applicable tax treaty, if any. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident Bond owner, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

ERISA

The Employees Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA (an "ERISA Plan") and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. All fiduciaries of ERISA Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Bonds.

In all events, all investors should consult their own tax advisors in determining the federal, state, local and other tax consequences to them of the purchase, ownership and disposition of the Bonds.

State Taxation

Bond Counsel is of the opinion that, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT

JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO.

PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

ADDITIONALLY, EACH PURCHASER OF THE BONDS SHOULD CONSULT HIS OR HER OWN ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, OR COURT DECISIONS.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

Proposals for Legislative Change

From time to time, there are Presidential proposals, proposals of various Federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the Federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing, if applicable, the full benefit of the tax status of owning the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. Such legislation could adversely impact the marketability and market value of the Bonds and prevent certain bondholders (depending on the financial and tax circumstances of the particular noteholder) from realizing, if applicable, the full benefit of the tax status of owning the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to Bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Each Purchaser of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Other Tax Consequences

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, state, local or foreign tax consequences of ownership of the Bonds. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Bonds and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest on the Bonds paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See Appendix C for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Bonds.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE) OF THE OWNERSHIP OF THE BONDS.

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutional, building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any obligations of the City, including the Bonds, and such Bonds are authorized security for any and all public deposits.

RISK TO HOLDERS OF BONDS

It is understood that the rights of the holders of the Bonds, and the enforceability thereof, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

MUNICIPAL BANKRUPTCY

THE CITY HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE CITY EXPECTS TO UTILIZE THE BENEFITS OF THEIR PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE BONDS, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.

The undertakings of the City should be considered with reference to 11 U.S.C. §101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed, and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically does not limit or impair the power of a state to control by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provided that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may be avoided pursuant to certain preferential transfer provisions set forth in such act.

Reference should also be made to N.J.S.A. 52:27-40 et seq. which provides that a local unit, including the City, has the power to file a petition in bankruptcy with any United States Court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Local Finance Board, as successor to the Municipal Finance Commission, must be obtained.

Remedies of Holders of Bonds (N.J.S.A. 52:27-1 et seq.)

If the City defaults for over sixty (60) days in the payment of the principal of or interest on any bonds or Bonds outstanding, any holder of such bonds or Bonds may bring an action against the City in the Superior Court of New Jersey (the "Superior Court") to obtain a judgment that the City is so in default. Once a judgment is entered by the Superior Court to the effect that the City is in default, the Municipal Finance Commission (the "Commission") would become operative in the City. The Commission was created in 1931 to assist in the financial rehabilitation of municipalities which were in default in their obligations. The powers and duties of the Commission are exercised within the Division, which constitutes the Commission.

The Commission exercises direct supervision over the finances and accounts of any municipality which has been adjudged by the Superior Court to be in default of its obligations. The Commission continues in force in such municipalities until all bonds, Bonds or other indebtedness of the municipality which have fallen due, and all bonds or Bonds which will fall due within one (1) year (except tax anticipation or revenue anticipation Bonds), and the interest thereon, have been paid, funded or refunded, or the payment thereof has been adequately provided for by a cash reserve, at which time the Commission's authority over such municipality ceases. The Commission is authorized to supervise tax collections and assessments, to approve the funding or refunding of bonds, Bonds or other indebtedness of the municipality which the Commission has found to be outstanding and unpaid, and to approve the adjustment or composition of claims of creditors and the readjustment of debts under the Bankruptcy Code.

CERTIFICATES OF THE CITY

Upon the delivery of the Bonds, the original purchaser or purchasers shall receive a certificate, in form satisfactory to Bond Counsel and signed by officials of the City, stating to the best knowledge of said officials, that this Official Statement as of its date did not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and stating, to the best knowledge of said officials, that there has been no material adverse change in the condition, financial or otherwise, of the City from that set forth in or contemplated by this Official Statement. In addition, the respective original purchaser or purchasers of the Bonds shall also receive certificates in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds and receipt of payment therefor, and a certificate dated as of the date of the delivery of the Bonds, and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds, as applicable, or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds, as applicable, are issued, and that neither the corporate existence or boundaries of the City, nor the title of any of the said officers to the respective offices, is being contested.

MARKET PROTECTION

The City will close on \$3,475,000 Tax-Exempt Bond Anticipation Notes that will be issued through the Hudson County Improvement Authority on May 12, 2020. Additionally, the City may issue approximately \$68,370,000 in Qualified General Improvement Refunding Bonds, Series 2020 (the "2020 Refunding Bonds") prior to the end of calendar year 2020. The 2020 Refunding Bonds would be issued to refund all of the City's callable Qualified General Improvement Bonds, Series 2016, dated April 19, 2016.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel, whose approving legal opinion(s) with respect to the Bonds will be delivered with the Bonds substantially in the form set forth in Appendix C attached hereto. Certain legal matters with respect to the Bonds will be passed on for the City by its Corporation Counsel, John F. Coffey, II, Esq., Bayonne, New Jersey ("Corporation Counsel").

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Donna L. Mauer, Chief Financial Officer, City of Bayonne, 630 Avenue C, Bayonne, New Jersey 07002, or by telephone at (201) 858-6043 or by email at dmauer@baynj.org; or City Bond Counsel, John M. Cantalupo, Esq., Archer & Greiner P.C., 10 Highway 35, Red Bank, New Jersey 07701, or by telephone at (732) 268-8009 or by email at jcantalupo@archerlaw.com; or City Municipal Advisor, Timothy S. Eismeier, NW Financial Group, LLC, 2 Hudson Place, Hoboken, New Jersey 07030, or by telephone at (201) 656-0115 or by email at teismeier@nwfinancial.com.

LITIGATION

To the knowledge of Corporation Counsel, after due inquiry, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the City or the title of any of the present officers. Further, to the knowledge of the Corporation Counsel, no litigation is presently pending or threatened that, in the opinion of the Corporation Counsel, would have a material adverse impact on the financial condition of the City if adversely decided.

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE BONDS

The City has covenanted for the benefit of bondholders to provide certain financial information and operating data on the City by no later than September 30 of each year, commencing September 30, 2019 and to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the "Bond Certificate") to be executed on behalf of the City by its Chief Financial Officer, in the form appearing in Appendix D hereto, such Bond Certificate to be delivered concurrently with the delivery of the Bonds. This covenant is being made by the City to assist the Underwriter of the Bonds in complying with the Rule.

Over the past five (5) years, the City of Bayonne has failed to comply with its prior undertakings to provide secondary market disclosure in connection with obligations issued by the City of Bayonne and conduit financings in which the City of Bayonne is an obligated borrower. Specifically, the City of Bayonne failed to timely file certain annual financial information and operating data for the years ended December 31, 2014 through 2016. In addition, the City of Bayonne's unaudited annual financial statement for the year ended December 31, 2017 was timely filed prior to the required submission date, but the audit report for the year ended December 31, 2017 was not approved by the City of Bayonne City Council until its April 17, 2019 meeting. The City of Bayonne also did not promptly file event notices relating to its failure to timely file and certain underlying, insured and enhanced rating changes.

PREPARATION OF OFFICIAL STATEMENT

The City hereby states that it has compiled, prepared and reviewed this Official Statement with the assistance of Bond Counsel, Corporation Counsel, the Municipal Advisor and the Auditor as described herein. The descriptions, statements and financial, demographic and statistical information contained in the Official Statement are true and correct in all material respects and it will confirm same to the Underwriter of the Bonds, by certificates signed by certain City officials and officers. See "CERTIFICATES OF THE CITY" herein.

Bond Counsel has participated in the preparation and review of this Official Statement, but has not participated in the collection of the financial, demographic and statistical information contained in Appendix A and Appendix B and throughout this Official Statement, nor has it verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

Corporation Counsel has not participated in the preparation of the information contained in this Official Statement, nor has he verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has reviewed the section under the caption entitled "LITIGATION" and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

Donohue, Gironda, Doria & Tomkins, LLC, Bayonne, New Jersey, Auditor to the City (the "Auditor"), has not participated in the preparation or review of the information contained in this Official Statement, except as hereinafter noted, nor has it verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but (a) has assisted in the assembling of certain information contained in Appendix A of this Official Statement from sources which the City considers to be reliable and the Auditor makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information, and it will confirm same to the Underwriter of the Bonds, by a certificate signed by an authorized officer, and (b) has prepared Appendix B to this Official Statement and takes responsibility for the financial statements to the extent specified in their Accountant's Compilation Report and Independent Auditors' Report and it will confirm same to the Underwriter of the Bonds, by a certificate signed by an authorized officer.

MUNICIPAL ADVISOR

NW Financial Group, LLC, Hoboken, New Jersey has served as Municipal Advisor to the City with respect to the issuance of the Bonds (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the Appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

RATING

Moody's Investors Service, Inc. ("*Moody's*" or the "*Rating Agency*") has assigned a rating of "A3" to the Bonds. The ratings reflect only the views of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. There can be no assurance that the rating will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely if, in the judgment of the Rating Agency, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

FINANCIAL STATEMENTS

The financial statements of the City as of December 31, 2019 (Unaudited) and as of December 31, 2018 (Audited) have been prepared by Donohue, Gironda, Doria & Tomkins, LLC, Bayonne, New Jersey (the "Auditor"). Accordingly, the Auditor takes responsibility for their Accountant's Compilation Report and Independent Auditor's Report appearing and set forth in Appendix B attached hereto.

RISK FACTORS

The World Health Organization has declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. On March 13, 2020, President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy (the "Governor") of the State of New Jersey (the "State") has declared a state of emergency and a public health emergency on March 9, 2020 due to the outbreak of COVID-19, which has spread to the State and to many counties within the State, and has also instituted mandatory measures via various executive orders to contain the spread of the virus. These measures, which alter the behavior of businesses and people, are expected to have negative impacts on regional, state and local economies.

The finances and operations of the City may be materially and adversely affected as a result of the continued spread of COVID-19 through reduced or delayed revenue streams, which include the collection of property taxes which are the City's primary revenue source for supporting its budget. The City cannot predict costs associated with a potential infectious disease outbreak like COVID-19 such as operational costs to clean, sanitize and maintain facilities, or costs to operate remotely and support City functions and critical government actions during an outbreak, or any resulting impact such costs could have on the City operations. The degree of any such impact to the City operations and finances, is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the City and its economy. The City is monitoring the situation and will take such proactive measures as may be required to maintain its functionality and meet its obligations, however, the City, cannot predict the effect the spread of COVID-19 will have on its finances and operations.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

CITY OF BAYONNE

DONNA L. MAUER
Chief Financial Officer

DATED: April __, 2020

APPENDIX A

**CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION
CONCERNING THE CITY OF BAYONNE**

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THE CITY OF BAYONNE

GENERAL INFORMATION

Introduction

The City of Bayonne (the "City") is situated on a peninsula bounded by water on three sides - Newark Bay on the West, Upper New York Bay (the entrance to the New York metropolitan area's water front) on the east, and the Kill van Kull on the South, a narrow body of water which connects Newark and Upper New York Bays. The City of Jersey City forms the City's northern boundary.

Settled in March of 1646 as a resort center for people living in the interior parts of New Jersey and New York State, the City became a township in 1861, and was incorporated as a city on March 10, 1869. The City is 5.63 square miles in area (approximately three miles long and one mile wide, with the Peninsula at Bayonne Harbor it is at least 2.5 miles wide), or approximately 3,450 acres of which 2,524 acres is developed land area. Based on the 2010 census, the City has a population of 63,024 residents.

The City's location and availability of water frontage for loading and unloading waterborne freight and its residential use on the western side of the City provide a broad tax base for the City.

The principal retail business and shopping areas are located along Broadway, a north to south thoroughfare. Except for Broadway and J.F.K. Boulevard, the north to south thoroughfares are avenues in alphabetical order, starting with Avenue A on the western side. Cross streets are in numerical order from 1 to 63, with 63rd Street and the New Jersey Turnpike extension to the Holland Tunnel being approximately the dividing line between the City and Jersey City. The City's residential area encompasses essentially the land between Newark Bay and Avenue F from 1st Street to 58th Street, except for the concentrated area of office and retail shops on Broadway and a few other small areas.

There are a number of historic landmarks in the City, including such edifices as: St. Mary's Star of the Sea Church, a mix of Victorian and Romanesque styles; the Bayonne Public Library, an example of Classical Revival architecture; and St. Henry's Church, an example of Gothic architecture.

Cultural activities include an art center at the Bayonne Jewish Community Center, the City-maintained Firehouse Museum holding firefighting memorabilia and the Bayonne Historical Society. Ten civic and fraternal groups, such as the Chamber of Commerce and the Bayonne Women's Club, provide forums for the exchange of ideas and camaraderie for those in business or over the age of eighteen. Activities for younger people are sponsored by the Bayonne Family Community Center, the Bayonne PAL, the Boy Scouts of America, the Bayonne Little League, the Cal Ripken League, Pop Warner Football, Bayonne Youth Hockey, the Jewish Community Center, and the City through its thirteen parks, fifteen playgrounds, and two County-operated parks (see "Recreational Facilities" herein). For those people who play golf, the Bayonne Golf Club, a private waterfront golf course opened in 2006. Facilities are also available on Staten Island or in Union and Middlesex Counties to the west within about thirty minutes driving time. A private golf course is also available in Jersey City. Recently Bayonne started a very successful Food Truck festival which is planned for a third year as well as the multi-year running Bridge Arts Festival which includes local artists, various vendors and performance acts.

CITY GOVERNMENT

In November of 1961, the City's voters approved a Mayor and Council Form of Government (Plan "C" of the Optional Municipal Charter Law). The City is divided into three wards, with a Council person elected from each ward and the Mayor and two Council persons elected at large by all the voters in the City for respective terms in office of four years.

Mayor James Davis was elected Mayor of Bayonne on June 10, 2014. Mayor Davis was a member of the Bayonne Police Department for 28 years, rising through the ranks from Patrolman to Captain. During his tenure as a police officer, he served in conjunction with numerous state and federal agencies' investigative units. Mayor Davis was re-elected for a second four year term on May 8, 2018.

Council President Sharon Ashe-Nadrowski is an At-Large Councilwoman serving her second term. Ms. Nadrowski is the first female Council President in Bayonne's history.

Cornelius Carroll III represents the first Ward, Salvatore Gullace represents the second Ward, Gary LaPelusa, Sr. represents the third Ward, and Juan M. Perez is an At-Large Councilman. All Councilmembers are serving their second term with the exception of Councilman LaPelusa who is serving his third term and Councilman Carroll who is serving his first term.

The legislative power of the City is vested in the Municipal Council, which meets approximately once every three weeks.

The Mayor has the power to approve ordinances adopted by the Municipal Council or to return ordinances to the Municipal Council with a statement of his objections. A two-thirds majority of the Municipal Council members may override the Mayor's veto. The Mayor cannot vote in proceedings of the Municipal Council except to fill a vacancy, in which case the Mayor may cast the deciding vote. The Mayor has the executive power and is responsible for enforcing the charter, ordinances and general laws of the City, and supervising all City departments. The Mayor appoints the directors of all departments with the advice and consent of the Municipal Council.

On February 17, 2016, the Mayor and Municipal Council voted to approve a plan to increase the number of City departments from four to five in an attempt to create more accountability and improve efficiency. Under the approved plan, the existing departments were consolidated into the Department of Business Administration, directed by Joseph DeMarco, the Department of Finance, directed by Terrence Malloy, the Department of Law, directed by John F. Coffey II, Esq., the Department of Public Safety, directed by Robert Kubert, and the Department of Public Works, Parks and Recreation, directed by Gary S. Chmielewski. Each appointment is subject to the advice and consent of the Municipal Council.

DEPARTMENT OF BUSINESS ADMINISTRATION

Business Administrator

Terrence Malloy was appointed the City's Business Administrator on December 19, 2018. Mr. Malloy has served as Director of Finance, Municipal Controller and Chief Financial Officer. An honors graduate of Rutgers University with a BS degree in Accounting, Mr. Malloy is a Certified Municipal Finance Officer and is a member of the Government Finance Officers Association of New Jersey. Mr. Malloy was appointed Business Administrator and Director of Finance on August 19, 1998 and served as the City's Chief Financial Officer from April of 1988 to December 2018. Mr. Malloy has been in the Department of Finance since June of 1980. Mr. Malloy served as Mayor from October 17, 2007 to November 4, 2008. Mr. Malloy recently announced his plans to retire from his position effective April 31, 2020.

Chief Financial Officer

Donna Mauer was appointed the Chief Financial Officer as of February 4, 2019. Ms. Mauer holds a B.S. in Business Administration from New Jersey City University and a Masters of Public Administration from Fairleigh Dickinson University. She is a Certified Municipal Finance Officer and is a member of the Government Finance Officers Association of New Jersey. Ms. Mauer previously worked for the City of Jersey City from March of 1987 to February 1, 2019. She held various positions, including Assistant Budget Officer and served as the Chief Financial Officer from December 2005 until February 2019.

Assistant Business Administrator

Melissa Mathews is the current Assistant Business Administrator. Previously she worked in Planning and Zoning as the assistant Zoning officer. Prior to her work with the City of Bayonne Ms. Mathews worked in finance at Citigroup and Credit Suisse where she held her Series 7 and 63. She also worked in technology at Apple and Adobe systems. She holds a B.A. in Political Science from Columbia University. She is the founder of the Mathews Foundation which runs a sign language program at the public library as well as the expansive community gardening program that is underway called Grow Bayonne.

City Clerk

Madelene C. Medina was appointed City Clerk on June 1, 2019. Ms. Medina received an Associate's Degree in accounting from Taylor Business Institute. Ms. Medina is a Registered Municipal Clerk and a certified Municipal Registrar of Vital Statistics. She is a member of both the Clerk's Association and Registrar's Association of the State of New Jersey. Ms. Medina is the first African-American Female City Clerk in Bayonne's history.

Department of Law

John F. Coffey II, Esq., is licensed to practice law in the State of New Jersey, and was appointed as the City's Corporation Counsel in August 2014 and Director of Law in February 2016. Mr. Coffey graduated from Fairfield University in 1984 with a BA in American Studies, and in 1987 attained his Juris Doctor degree from New York Law School. Mr. Coffey was Assistant City Attorney from 1990 to 2002, and City Law Director from June 2002 to May 2009.

Tax Collector

The Tax Collector for the City of Bayonne retired on July 1, 2019. The City currently has an agreement with the Township of Weehawken to share Tax Collector services until July 31, 2020.

Tax Assessor

Michele Hennessey, a Certified Tax Assessor, was appointed Tax Assessor on July 1, 2019 and served as Deputy Tax Assessor since March, 2017. Ms. Hennessey holds a B.S. from Rutgers University and a Master's Degree in Public Administration from Farleigh Dickinson University. Ms. Hennessey is a member of the Association of Municipal Assessors of New Jersey since 1993 and has held several offices over the years. Prior to joining the Bayonne Tax Assessor's staff, Ms. Hennessey was employed for 26 years in the Jersey City Tax Assessor's office holding various positions including Deputy Tax Assessor from October 2004 through February, 2017.

DEPARTMENT OF PUBLIC SAFETY

Director of Public Safety

Robert "Red" Kubert was appointed Director of Public Safety on July 1, 2014. As a former uniformed employee, Mr. Kubert attained the rank of Chief of Police. He retired from his position in 2012 after over 40 years of service to the Bayonne Police Department. As Director, Mr. Kubert oversees the Police and Fire Departments.

Police Department

The Police Department is under the supervision of Police Chief Robert Geisler. The Police Department has 1 Chief, 2 Deputy Chiefs of Police, 6 Captains, 8 Lieutenants, 39 Sergeants, 124 Uniformed Officers and 32 Civilians.

Fire Department

The Fire Department is under the supervision of Fire Chief Keith Weaver. Fire Department personnel consists of 1 Fire Chief, 2 Deputy Fire Chiefs, 5 Battalion Chiefs, 40 Captains, 126 Uniformed Firefighters and 4 full-time civilians.

DEPARTMENT OF PUBLIC WORKS AND PARKS

Director of Public Works and Parks

Thomas Cotter was appointed Director of Public Works and Parks in November 2018. Mr. Cotter oversees the operations of the DPW's maintenance of roads, municipal property, collection of solid waste from street containers and collection of recyclable materials by 109 DPW personnel.

Recreational Facilities

The County maintains two parks, the 97.6 acre Bayonne Park along Newark Bay in midtown, and the 5.5 acre Mercer Park on the City's northern border with Jersey City.

The Bayonne Parks Department maintains thirteen parks (56.9 acres) and fifteen playgrounds (2.2 acres) in various sections of the City. In addition to the park system, there is an indoor skating facility, a swimming pool facility, a skateboard park and Veterans Memorial Stadium with 4,200 permanent seats and room for a large number of temporary seats. In addition to maintaining baseball diamonds, soccer and bocce fields, basketball courts, tennis courts, and jogging and bike trails, the Bayonne Parks Department oversees Little League and Senior Citizen activities. The City is constantly working to upgrade and improve its parks and recreational facilities and have a number of projects planned and under construction. Currently new parks and waterfront walk ways under construction behind Veterans Memorial stadium and at the Peninsula at Bayonne Harbor, and a land reclamation and park upgrade are underway at Collins park on the south side of the city. In addition, the city has plans for a new park with water front walk way, fishing pier and kayak launch just south of 16th street park.

Bayonne's Division of Recreation headed by Pete Amadeo is often recognized for providing some of the best recreation activities in Hudson County for mainstream and special needs children of all ages. A multitude of sports activities are offered including skateboarding, hockey, travel camps, special needs baseball, recreation flag football and pillow hockey, swimming and 7 summer camps, as well as the ability day program for special needs adults. Countless private activities including gymnastics, bowling, dance classes and art classes make Bayonne a destination for families.

Parking Utility

Effective January 1, 2012, the Bayonne Parking Authority (the "BPA") was officially dissolved and the Bayonne Parking Utility was created. The Bayonne Parking Utility is accounted for as a separate Utility Fund on the books and records of the City. The City has determined to initially assume all of the outstanding debt and obligations of the BPA as a means of providing the City the immediate ability to continue providing parking service while insuring the timely and efficient payment of the obligations and debt of the BPA. The operations of the Utility are funded through parking fees and ticket charges.

OTHER ENTITIES

Public Library

The Bayonne Public Library system consists of the main library, originally built with the support of the Andrew Carnegie Foundation, and two branch libraries. In addition to 264,487 conventional volumes, there are 219 periodicals, 439 CD Rom Disks, 5,627 audio and video cassettes and thousands of microfilm reels and microfiche for current and historical newspapers and government documents. The main library sponsors academic and senior citizen programs, children's "Story Telling Hours", various cultural programs and exhibits, including annual series of jazz and classical music. The main library has facilities to accommodate up to 900 people for meetings and seminars.

Economic Development

The Bayonne Urban Enterprise Zone Development Corporation is manager of the Special Improvement District. The Special Improvement District was originally incorporated in November, 1990, to assist in the economic development of the shopping district from 19th Street to 27th Street on Broadway. In the year 2000, the Municipal Council approved the expansion of the Special Improvement District to include the area of Broadway between 17th Street and 30th Street.

The Bayonne Office of Community Development has four programs funded by the federal government to help provide for home and business improvements and rehabilitation through various assistance Community Block Grants. Currently, the Bayonne Office of Community Development has outstanding applications for these federal grants. A federal grant will cover only approximately 25% of the improvements and rehabilitation for those business concerns located on Broadway in the Special Improvement District. In addition to grants for the private sector, grants are available for the City's infrastructure improvements, such as streets, playgrounds and parks.

The largest and most visible current development was the relocation and construction, completed by the State, of State Route 169 into a four-lane divided limited access highway from its connection with State Route 440 at Newark Bay to the industrial districts along the Upper New York Bay waterfront and connection to the Bayonne Bridge over the Kill Van Kull.

The “Harbor Station South” shopping area, including a 150,000 square foot Costco which opened in March of 2019, is being completed to include 250,000 square feet of commercial space. Currently under construction are LA Fitness, Starbucks, Lidl, CVS as well as other retail space. This shopping center is located off of Route 440 at the entrance of the Peninsula at Bayonne Harbor and directly across from the Hudson Bergen Light rail station at 34th street. The city is currently working on plans for a pedestrian bridge to directly connect to the light rail station.

The Bayonne Urban Enterprise Zone (the “BUEZ”) was formally approved by the State of New Jersey in September 2002, which includes the entire Special Improvement District, plus all other retail zones as well as the entire Military Ocean Terminal. This has a multiplier effect on the recent increase in development that the City is experiencing. Future projects planned by the BUEZ include streetscapes, parking facility improvements, and a loan program for member businesses.

Redevelopment

Bayonne is at a pivotal point in its history and is rapidly becoming a go-to destination for commuters looking for a suburban feel in an urban center. With its close proximity to New York City Bayonne offers a short commute with ample public transportation modes, including a planned ferry directly to lower Manhattan, while still maintaining its small-town suburban feel. Within the last year Bayonne saw the completion of approximately 1000 residential units across the city and some of the larger buildings reported being 70% rented within the first month. Currently we have approximately 2,400 approved units under construction or in the permitting process expected to get certificates of occupancy within the next 12 months and some projects are on phase 2 of their construction. While construction is on-going throughout most of the city the majority of the development is focused in the Avenue E corridor along the light rail which is referred to as the Loft District and at The Peninsula on Bayonne Harbor.

The Loft District is comprised of a multitude of multi-family buildings along Avenue E with the majority surrounding the 22nd street Hudson Bergen Light Rail station. The most prominent of the loft district buildings is the Silk Lofts which is a conversion of the historical Maidenform factory building into 85 residential units which preserved the architectural integrity of the structure while providing luxury loft living. As the flagship for the district, many of the buildings have followed suit and include loft style apartments with luxury amenities. In 2019 there were an estimated 320 units completed with approximately 600 currently approved in this district. The redevelopment extends well beyond the 22nd street station down the length of Avenue E

The Peninsula at Bayonne Harbor is another area rapidly changing and drawing new residents to the city. With easy access to shopping, Route 440, expansive views of both Manhattan and New York Harbor, public transportation and ample amenities and recreational spaces, this area is quickly becoming the place to be for new residents. With continued development including a planned hotel, planned 25 building apartment complex with amenity spaces and retail, and ferry access to Manhattan should continue to draw new and current residents alike.

In addition to residential development the city has seen a renaissance in development of commercial construction. Approximately 230,000 square feet of commercial space was completed and occupied in the last 12 months with businesses including Costco, Cube smart, Quick check and other smaller stores. With all the new development Bayonne has seen an influx of new retail and restaurant establishment and expansions of current spaces as well.

EDUCATIONAL FACILITIES

In addition to the public school system, there are three denominational high schools and six denominational schools for pre-high school students. Additionally, there are pre-school facilities available.

Nearby higher educational facilities consist of St. Peter's University, New Jersey City University and Hudson County Community College in Jersey City, Stevens Institute of Technology in Hoboken, St. John's University in Staten Island and in Newark, Rutgers - The State University, University of Medicine and Dentistry, New Jersey Institute of Technology and Seton Hall University School of Law.

BOARD OF EDUCATION OF THE CITY OF BAYONNE

General Information

The School District of Bayonne (the "District") was established in 1890. On November 3, 2015, Bayonne held its first school board election in over thirty-five years. The District has opted to hold Board elections with November general elections. The Board of Education of the City of Bayonne (the "Board") governs the operations of the District and is responsible for approving all fiscal matters. The District's Fiscal Year begins July 1 and ends June 30 in the next calendar year.

The Board is composed of nine members, each serving for a three-year term on a staggered basis. The President and Vice President are chosen for one-year terms from among the Board members. The Board is a policy-making body and has the general responsibility to provide an education program, to establish policies, to supervise the public schools in the District, and to appoint the Superintendent of Schools (the "Superintendent").

The administrative structure of the Board gives final responsibility for both the educative process and the business operation to the Superintendent. The Superintendent is the chief executive officer of the Board in charge of carrying out Board policies. The Board Secretary is the chief financial officer who must submit monthly financial reports to the Board and annual reports to the State Department of Education. State law requires a Treasurer of School Monies to hold in trust all school monies and to make a monthly report to the Board.

The debt service requirements of school purpose debt issued prior to November 3, 2015 is paid by the city, except for that portion paid by the State directly to a paying agent (Additional State School Aid Bonds).

District Principal Officials

Mr. John J. Neisz is the Superintendent of Schools as of August 2019. Mr. Daniel Castles is the School Business Administrator as of September 2019.

District Personnel

The following table sets forth by classification the number of personnel the District employs:

<u>Classification</u>	<u>Number of Personnel (1)</u>
Instructional Personnel	913
Student and Instruction Related Services	50
General Administration	24
School Administration	63
Central Services	16
Plant Operation and Maintenance	138
Pupil Transportation	42
Administrative Information Technology	10
Total Personnel	<u>1,256</u>

(1) For the fiscal year ended June 30, 2019

Source: CAFR for fiscal year ended June 30, 2019

District Facilities

The Board presently operates a high school complex consisting of a high school building and separate Physical Education/Community Education Center buildings with outdoor physical facilities, eleven elementary schools and two buildings housing a garage and maintenance facilities.

Historical Student Enrollment

<u>Fiscal Year</u>	<u>Grades K-8</u>	<u>Grades 9-12</u>	<u>Other</u>	<u>Total Enrollment</u>
2018-2019	5,812	1,894	1,659	9,365
2017-2018	5,735	2,007	1,665	9,407
2016-2017	5,800	1,997	1,662	9,459
2015-2016	5,757	2,115	1,665	9,537
2014-2015	5,787	2,004	1,311	9,102
2013-2014	5,819	1,878	1,333	9,030
2012-2013	5,575	2,069	1,331	8,975
2011-2012	5,548	2,204	1,355	9,107
2010-2011	5,903	2,180	1,333	9,416
2009-2010	5,785	2,216	1,142	9,143
2008-2009	5,745	2,088	1,418	9,251

School Building Facilities

<u>Type of Facility</u>	<u>Construction Date</u>	<u>Addition or Renovation Date</u>	<u>2018-2019 Enrollment (1)</u>
High School	1923	1935/1983	2,438
Elementary Schools:			
1. Henry E. Harris	1921	1973/2000	707
2. Philip Vroom	1914		485
3. Walter F. Robinson	1909		792
4. Mary J. Donohue	1920	2000	444
5. Lincoln	1919	1985	428
6. Horace Mann	1913	1924	572
8. Midtown Community	1993		1,193
9. Washington	1917	2000	723
10. Woodrow Wilson	1930		735
12. John M. Bailey	1911	2001	688
14. Nicolas Oresko	2008		432
			<u>9,637</u>

⁽¹⁾ Includes Special Education and Adult High School
Source: CAFR for fiscal year ended June 30, 2019

State and Federal School Aid

The District receives State and federal aid annually, for various operating purposes. The following table sets forth on a Fiscal Year basis the General Fund Revenues, the amount of State and federal school aid, and the percentage of such school aid to the General Fund Revenues.

Fiscal Year	(A) General Fund Revenues	(B) State School Aid	(B) Federal School Aid	(C) Percentage of B to A
2019	\$ 154,093,350	\$ 83,374,471	\$ 342,620	54.3%
2018	143,697,838	75,255,011	312,157	52.6%
2017	137,333,797	71,794,994	365,284	52.5%
2016	131,481,828	67,955,758	378,139	52.0%
2015	128,311,692	66,977,550	412,176	52.5%
2014	125,956,577	64,455,293	271,720	51.4%
2013	126,153,231	66,284,994	335,780	52.8%
2012	122,023,932	60,980,982	2,104,351	51.7%
2011	118,408,258	57,087,479	293,792	48.5%
2010	121,627,100	53,832,724	8,396,836	51.2%

Source: CAFR for fiscal year ended June 30, 2019

LAND USE

Residential

There are few homogeneous areas where single family residences exist, except for a four-block area along Newark Bay just south of the County's Bayonne Park. The principal residential type of usage is multi-family, which includes two-family houses primarily, three- to four-family houses, rowhouses, townhouses, garden apartments, and mid- and high-rise apartments. Mid- and high-rise apartments are only situated on isolated sites along the southern waterfront, the northwest section of the City, and within urban renewal districts. Existing high-rise apartment structures are not considered a significant residential land use.

Commercial

The major commercial activity in the form of retail stores is concentrated along Broadway, a situation that has not changed from the City's early times. Some major commercial establishments exist on Avenue C between 24th and 27th Streets, Avenue A and North Street and Route 440, including the aforementioned "Bayonne Crossing" and "Winners" complex.

There are shopping areas at each end of the City as well as a mixture of retail shops and services and professional and commercial offices along Broadway. The City also has a number of small and mid-size industries that provide employment for area residents and enhance tax revenues for the City.

Office/Professional

This type of activity consists typically of medical or legal office space from converted single-family residences.

Mixed Use

Many of the apartment units have been converted to professional office space. There are a number of mixed use properties, located primarily along the principal north-south thoroughfares.

Industrial Districts

There are four industrial districts plus the Peninsula at Bayonne Harbor located along the City's eastern and western waterfronts.

53rd Street District

This district encompasses approximately 19 acres in the northwest portion of the City along Newark Bay, and is the newest district established. Presently, there are only six firms located in this district, two of which are small manufacturing firms. There are six acres of vacant land in this district on which development is constricted due to possible subsurface soil contamination. There is no rail access and access by road is through residential areas.

Bergen Point District

Located at the City's southwest corner on Newark Bay and the Kill Van Kull, Bergen Point covers an area of 138 acres. Firms in this district are comprised of smaller metals and chemicals manufacturing firms and light industry. Land for expansion of existing firms is limited, with the exception of a 57 acre Texaco tract. Texaco has moved its facilities from Bayonne. Texaco is presently clearing and cleaning the area under the guidance of the Environmental Clean-up Responsibility Act prior to the sale of the 57 acres.

Road access is excellent via the Bayonne Bridge to Interstate Route 287. Access from or to the north is via the four-lane divided limited access State Route 440 (formerly Route 169). Rail access is available via a branch of the Conrail-owned Bayonne Industrial Track.

Port Jersey District

Located in the City's northeast portion along the Jersey City borderline and Upper New York Bay, Port Jersey encompasses 160 acres in the City of a total of 400 acres, the balance being in Jersey City. Of the fourteen concerns located in Port Jersey, eleven are warehouse/distribution centers, and include such firms as Todd Logistics, Global Terminal & Container Services, Unimark, Workbench, BMW Distributions and Preparation Center, and a New York and New Jersey Port Authority operated distribution center for foreign-made cars. Port Jersey is one of the major distribution centers in the New Jersey and New York areas.

Road access to Port Jersey is via Exit 14A of the New Jersey Turnpike and State Route 440 to Pulaski Street. Although not currently available, rail access to Port Jersey could be made available from the Conrail-owned Bayonne Industrial Track.

Constable Hook District

Located on Upper New York Bay along the City's eastern/central waterfront, Constable Hook (the "Hook") encompassing roughly 727 acres, is the largest and most heavily concentrated of all the districts. However, approximately 87 acres in the upland area is currently vacant. The area north of 22nd Street is comprised of various warehouse/distribution and light industrial firms. Within the Hook are 55 firms, including such corporations as Exxon, Amerada Hess, IMTT and Coastal Oil.

Road access to the Hook is via State Route 440 to various access roads, such as the Hook Access Road. Since the completion of improvements to State Route 440, access to the Hook has been improved. Rail access is by the Conrail-owned Bayonne Industrial Track.

Peninsula at Bayonne Harbor (formerly Military Ocean Terminal)

This military facility is situated on 700 acres between the industrial districts of Port Jersey and Constable Hook on Upper New York Bay. The Peninsula at Bayonne Harbor contains a causeway, an artificial peninsula extending two miles into Upper New York Bay, with piers for ocean going vessels, railroad tracks and roadways, a drydock over 1,000 feet long capable of handling any ship afloat, storage facilities, various office-type buildings and residential buildings for military personnel and families. On an average day, between 150 and 200 trucks enter the Terminal area for unloading in addition to rail freight via the Bayonne Industrial Track. Approximately 1,000,000 square feet of smart ware house space are approved and or under construction with an expected completion date with the next 12 months. It should be noted that this military facility is closed. The City is actively working to complete the vision of converting the former military base into a viable commercial, residential and park development.

The Peninsula at Bayonne Harbor is a visionary plan which is quickly coming to fruition. The plan is to transform the former Military Ocean Terminal into a vibrant, mixed-use waterfront community. The peninsula calls for the creation of six different, yet integrated districts, consisting of residential, commercial, entertainment and recreation space, as well as marinas, ferry service and more than two miles of waterfront walkway. The Peninsula at Bayonne Harbor currently has approximately 1,000 rental units with another 1,000 planned approved units expected to be completed within the next 12 months. 2019 saw the opening of a 150,000 square foot Costco at the entrance with another 100,000 square feet of retail space currently under construction. Plans for a ferry terminal with included parking facility are underway and ferry service by Seastreak is expected to start winter 2021. The ferry will offer a direct line to lower Manhattan. With a choice location in New York Harbor and stunning views of the Statue of Liberty and the Manhattan skyline, development of the 430 acre tract promises to be the most significant urban waterfront development in the New York/ New Jersey region since the build-out of Battery Park City in New York and the Gold Coast Waterfront communities of Hoboken, Weehawken and Jersey City in New Jersey.

Quasi-Public

This category of land use includes property owned privately yet generally operated for the public use and includes such institutions as hospitals, churches, private and denominational schools, and fraternal organizations.

Areas

The waterfront areas on the City's western and southern sides provide opportunities to integrate existing public park facilities and provide for flexible zoning for residential and business unit development with access oriented towards the water as conceived in a "Land Use Plan Element".

Medical Facilities

Bayonne Medical Center is the major private medical facility serving the City. In addition, RWJBarnabas has an 80,000 square foot satellite medical facility on Broadway in the center of town. Other health services include urgent care facilities such as CityMD, Bayonne Community Mental Health Center, Bayonne Physical Therapy and Rehabilitation, two diagnostic laboratories - Hudson Medical Lab and Bayonne Medical Laboratories, Inc., and the Medi-Center for outpatient services. Bayonne Medical Center also operates a Renal-Dialysis Center. Ambulance service is provided by McCabe Ambulance Service, which has a zero sum contract with the City.

Bayonne Medical Center has a capacity of 278 beds. The City operates a clinic in the Municipal Building for testing of blood pressure and other types of tests.

Housing Authority of the City of Bayonne

The Housing Authority of the City of Bayonne (the "Housing Authority"), operating under the guidelines of the U.S. Department of Housing and Urban Development ("HUD"), owns and maintains 1,879 public housing and senior citizen dwelling units in 36 buildings.

NEW CONSTRUCTION AND HOUSING STATISTICS

New Construction Building Permits

Housing Units Authorized To Be Built

<u>Year Ended Dec. 31,</u>	<u>Single Family</u>	<u>Two Family</u>	<u>Three and Four Family</u>	<u>Five or More</u>	<u>Total</u>
2019	8	28	31	1,076	1,143
2018	15	28	12	702	757
2017	20	0	22	516	558
2016	46	0	3	14	63
2015	44	0	6	138	188

Estimated Construction Costs

<u>Year Ended Dec. 31,</u>	<u>Single Family</u>	<u>Two Family</u>	<u>Three and Four Family</u>	<u>Five or More</u>	<u>Total</u>
2019	\$ 2,144,964	\$ 3,775,886	\$ 3,226,625	\$ 42,133,035	\$ 51,280,510
2018	1,556,450	3,689,600	1,672,100	60,576,927	67,495,077
2017	10,483,575	-	3,279,200	73,635,517	87,398,292
2016	6,319,008	-	199,338	1,756,264	8,274,610
2015	4,818,769	-	398,676	16,602,126	21,819,571

Housing Statistics

Housing Units

<u>Political Division</u>	<u>One Unit Detached</u>	<u>One Unit Attached</u>	<u>2-4 Units</u>	<u>5-9 Units</u>	<u>10 or More Units</u>	<u>Mobile Homes</u>	<u>Boat, RV, Van, etc.</u>	<u>Total Units</u>
City	3,663	1,557	13,824	2,507	5,597	124	-	27,272
County	26,756	15,194	102,721	31,662	102,795	427	107	279,662
State	1,931,259	342,782	564,725	172,006	559,793	34,236	600	3,605,401

<u>Political Division</u>	<u>Occupied</u>	<u>Vacant</u>	<u>Homeowner Vacancy Rate</u>	<u>Rental Vacancy Rate</u>	<u>Persons Per Owner Occupied Unit</u>	<u>Persons Per Household</u>
City	25,237	2,562	2.6%	8.9%	2.67	2.49
County	246,437	23,898	4.5%	6.6%	2.66	2.54
State	3,214,360	339,202	1.8%	7.6%	2.79	2.68

Number of Units by Owner-Specified Valuation

<u>Political Division</u>	<u>Under \$100,000</u>	<u>\$100,000-\$199,999</u>	<u>\$200,000-\$299,999</u>	<u>\$300,000-\$499,999</u>	<u>\$500,000-\$999,999</u>	<u>\$1,000,000 or More</u>	<u>Total Units</u>	<u>Median Value</u>
City	524	940	2,621	4,588	721	92	9,486	\$ 320,300
County	3,168	7,553	17,110	30,670	17,757	4,124	80,382	\$ 364,100
State	115,887	321,283	471,085	684,977	389,877	71,304	2,054,413	\$ 327,900

Renter-Specified Monthly Contract Rent Per Unit

<u>Political Division</u>	<u>Under \$500</u>	<u>\$500-\$999</u>	<u>\$1,000-\$1,499</u>	<u>\$1,500-\$1,999</u>	<u>\$2,000-\$2,499</u>	<u>\$2,500 or More</u>	<u>Total Units</u>	<u>Median Rent</u>
City	1,380	2,770	7,030	2,936	764	220	15,100	\$ 1,221
County	13,595	30,944	60,487	31,165	13,302	22,771	172,264	\$ 1,340
State	88,733	200,807	445,226	231,700	88,979	65,707	1,121,152	\$ 1,295

Source: New Jersey Department of Labor, Labor Market and Demographic Research. 2010 Federal Census Data

TRANSPORTATION FACILITIES

Interstate, intrastate and inter-city public transportation is provided by New Jersey Department of Transportation - Bus Operations and other bus companies.

The major highways serving the City from the north are State Route 440 (formerly Route 169), and the New Jersey Turnpike Extension by egress and access ramps 14A. To the south, the Bayonne Bridge over the Kill Van Kull to Staten Island provides connection to east/west Interstate Route 287 and to Long Island via the Verrazano Narrows Bridge.

In addition to the New Jersey Turnpike Extension providing connections to north/south Interstate 95 and U.S. Routes 1 and 9, State Route 440, a four-lane limited access highway parallel to Newark Bay, provides non-toll access across Newark Bay to U.S. Routes 1 and 9 and Interstate Route 95.

State Route 440 provides a connection to the industrial districts and the United States Military Ocean Terminal located to the east on Upper New York Bay. State Route 440 has been expanded and realigned as a four-lane divided highway, and extended to provide a connection with the Bayonne Bridge. The realignment and extension of Route 440 eliminates the movement of freight over local streets.

In April, 2000, the first phase of the Hudson-Bergen light rail system began transporting commuters. The light rail runs parallel on the west side of State Route 440, with four stations located at 8th Street, 22nd Street, 34th Street and 45th Street, running through Exchange Place in Jersey City and ending in Hoboken.

Movement of rail freight is by one rail line, which is the Conrail-owned Bayonne Industrial Track with branch lines serving three industrial districts. The Bayonne Industrial Track is a single line track running from the northeast corner of the City parallel to the Upper New York Bay to the City's southern point, along the Kill Van Kull. The rail line divides a portion of the residential section along the City's eastern and southern sides.

UTILITIES**General**

Electricity and gas are provided by Public Service Electric and Gas Co. Telephone service is provided by Verizon. Solid waste pickup is provided to residences, offices and retail stores by a negotiated contract with outside vendors. Larger business concerns and corporations, such as Exxon, IMTT and Bayonne Medical Center, must make their own provisions for the carting away of solid waste.

Water/Sewer Services

The water/sewer services are provided by the Bayonne Municipal Utilities Authority (the “Authority”), an authority created by an ordinance of the City, duly adopted October 9, 1997 and approved by the Mayor on October 10, 1997. On December 20, 2012, the Authority entered into a concession agreement with Bayonne Water Joint Venture, LLC.

Under the terms of the concession agreement, the Authority grants to Bayonne Water Joint Venture, LLC the rights to use, operate, manage, construct, maintain and improve the sewer/water systems, to provide the system services in connection therewith and to receive the revenues from the systems. Additional terms of the concession agreement include the legal defeasance of all existing debt of the Authority.

The sewer and water system Deficiency Agreements entered into by and between the City and the Authority on November 17, 1997 remain in full force and effect and have not been amended, modified or waived by any party. Under the original Deficiency Agreements, the City has agreed to make up any deficiencies in the Authority’s sewer budget for operating expenses and debt service on any bonds issued by the Authority.

In 1982, the City entered into a contract (the “Service Contract”) with the North Jersey District Water Supply Commission (the “Commission”) that obligates the City to pay for water and for treatment, filtration, transmission and distribution thereof, including installments of interest and principal on bonds relating to the Wanaque South Project. The City is obligated to pay an annual charge based on its proprietary allotment, which is currently 25.868%. Subsequent to the execution of the Service Contract, the Authority assumed all responsibility for the operation of the City’s water system.

Further, as part of the above-referenced concession agreement, in 2012 the Bayonne Water Joint Venture, LLC assumed responsibility for all expenses and operations of the Authority, including payments to the Commission of its share of operating expenses and debt service on behalf of the City. Nonetheless, under the Service Contract, the City remains responsible to the Commission in case of any shortfall of operating expenses or debt service payments from Bayonne Water Joint Venture, LLC.

Effective January 1, 2017 the Bayonne Municipal Utilities Authority was dissolved and its function has been assumed by the City.

RETIREMENT SYSTEMS

All full-time permanent or qualified City employees who began employment after 1914 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by the State. The Division of Pensions within the Treasury Department of the State is the Administrator of the funds with the benefit and contribution levels set by the State. The City is enrolled in the Public Employees' Retirement System and the Police and Firemen's Retirement System.

The Consolidated Police and Firemen's Pension System is no longer open to enrollment. However, there are City pensioners who receive benefits from this pension system, and the City is required to make annual contributions to this pension system.

Public Employees' Retirement System

The Public Employees' Retirement System ("PERS") includes approximately 300 employees. PERS is evaluated every year. Employee rates for contributions are normally determined by the rate applicable at the age of enrollment.

Police and Firemen's Retirement System

Approximately 348 employees are covered under the Police and Firemen's Retirement System ("PFRS").

Retirement Benefit Payments

<u>System</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PERS	\$ 2,403,589	\$ 2,328,121	\$ 2,167,541	\$ 2,053,002	\$ 1,963,155
PFRS	12,922,325	11,567,534	10,590,150	10,525,623	10,134,691
CP&F (1)	19,037	19,076	19,079	19,060	10,011
OASI (2)	<u>1,923,414</u>	<u>1,884,671</u>	<u>1,946,898</u>	<u>1,931,828</u>	<u>1,905,854</u>
TOTAL	<u>\$ 17,268,365</u>	<u>\$ 15,799,402</u>	<u>\$ 14,723,668</u>	<u>\$ 14,529,513</u>	<u>\$ 14,013,711</u>

(1) Consolidated Police and Fire Pension Fund - Payments to pensioners.

(2) Old Age Security Income - Social Security.

Source: The City's 2015 through 2018 audited financial statements and 2019 unaudited financial records.

COLLECTIVE BARGAINING REPRESENTATION

Certain City employees are represented by bargaining agents, shown below together with termination dates of current contracts. There are several other bargaining units, but the enrollment is small in these other bargaining units.

<u>Employee Classification</u>	<u>Bargaining Representation</u>	<u>Termination Date</u>
Uniformed Police	Police Benevolent Association	12/31/2020
Police Superior Officers	Police Superior Officers Association	12/31/2020
Uniformed Firemen	Firemen's Mutual Benefit Association	12/31/2020
Fire Superior Officers	Fire Superior Officers Association	12/31/2020
Crossing Guards & PEO's	AFSCME Local 2261	12/31/2021
Supervisory Personnel	The Bayonne Municipal Supervisory Association Hudson Council No. 2	12/31/2021
Various Departments	American Federation of State, County and Municipal Employees	12/31/2021

INSURANCE

On August 17, 2011, the City authorized participation in and the execution of an Indemnity and Trust Agreement with the New Jersey Intergovernmental Insurance Fund (the "NJIIF") for the provision of property and casualty insurance coverage. Prior to participation in the NJIIF, the City self-insured against liability claims pursuant to N.J.S.A. 40A:10-16.

The NJIIF is a public entity created in 1991 and offers coverage to municipalities, counties and school districts statewide. The NJIIF is a New Jersey approved, self-insured, reinsured public entity insurance pool which offers all New Jersey public entities multiple lines of insurance.

The City has obtained the following coverage through the NJIF:

- Equipment Breakdown coverage.
- Crime coverage including employee dishonesty, forgery, alterations, theft, robbery and fraud.
- Environmental Impairment coverage.
- Workers' Compensation coverage.
- General, Automobile and Employee Benefits liability coverage.
- Public Entity Management Liability coverage, including Public Official's Liability and Employment Practices Liability coverage.
- Surety bonds for the City Treasurer, Chief Financial Officer and Tax Collector.

Source: City summary of insurance coverage.

PROPOSED CAPITAL IMPROVEMENT PROGRAM

The City's 2020 Fiscal Year (January 1-December 31) Six Year Capital Improvement Program annual funding requirements, as set forth by the City prior to introduction of its 2020 budget, is set forth below. The schedule is a planning tool, and will be filed with the State after approval as required by the Local Budget Law. The City is not bound by these projections.

Annual Anticipated Funding Amounts

	Estimated Completion	Estimated Cost	Anticipated Funding Schedule					
			2020	2021	2022	2023	2024	2025
Rehabilitation of Various Streets	2025	\$ 3,000,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
LeFante Way Repaving	2020	1,000,000	1,000,000	-	-	-	-	-
Various Capital Improvements	2020	500,000	500,000	-	-	-	-	-
Total		<u>\$ 4,500,000</u>	<u>\$ 2,000,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>

Anticipated Funding Sources and Amounts

	Estimated Completion	Estimated Cost	Grants in Aid and Other Funds	To be Funded in Future Years	CIF	Debt Authorized
Rehabilitation of Various Streets	2025	\$ 3,000,000	\$ 500,000	\$ 2,500,000	\$ -	\$ -
LeFante Way Repaving	2020	500,000	500,000	-	-	500,000
Various Capital Improvements	2020	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>450,000</u>
Total		<u>\$ 4,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 2,500,000</u>	<u>\$ 50,000</u>	<u>\$ 950,000</u>

Source: The City.

REPORTING PERIOD

The City has changed its fiscal year from a year ended June 30, to a year ended December 31. In order to revert to a calendar year accounting period, the State of New Jersey, Division of Local Government Services requires a six-month "transition year" of the period of time between the end of the City's final fiscal year and the next succeeding first calendar year.

The following schedules include information from the six-month transition year of July 1, 2011 to December 31, 2011. Beginning with calendar year 2012, the City's financial information is reported on a 12-month calendar year.

CURRENT FUND
SCHEDULE OF REVENUES
LAST FIVE YEARS (000 OMITTED)

	Year Ended December 31, 2019 (unaudited)		Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016		Year Ended December 31, 2015	
	Budgeted	Realized	Budgeted	Realized	Budgeted	Realized	Budgeted	Realized	Budgeted	Realized
Fund Balance	\$ 14,408	\$ 14,408	\$ 12,500	\$ 12,500	\$ 17,875	\$ 17,875	\$ 5,000	\$ 5,000	\$ 6,421	\$ 6,421
Consolidated Municipal										
Property Tax Relief Fund	1,215	1,215	1,626	1,626	1,874	1,874	1,923	1,923	1,923	1,923
Energy Receipts Tax	7,615	7,615	7,204	7,204	6,956	6,956	6,907	6,907	6,907	6,907
Public and Private Revenues										
Offset with Appropriations	1,758	14,490	2,366	2,894	1,429	2,361	1,411	1,411	2,186	2,186
Current Tax Levy, Municipal	91,776	93,577	89,247	90,927	86,764	88,593	82,759	84,810	80,629	82,394
Delinquent Taxes	273	174	26	263	23	121	15	414	210	40
Other Budgeted Revenue										
Local Revenues	12,257	12,301	10,154	11,706	10,659	10,194	10,469	10,952	10,469	10,375
Shared Service Agreements	52	52	142	52	142	142	72	72	120	-
Other Special Items	11,586	10,237	16,521	37,085	10,769	10,928	26,848	41,831	23,545	22,198
Non-Budget Revenue and Other Credits	-	10,298	-	3,801	-	5,585	-	12,083	-	8,928
	<u>\$ 140,940</u>	<u>\$ 164,367</u>	<u>\$ 139,786</u>	<u>\$ 168,058</u>	<u>\$ 136,491</u>	<u>\$ 144,629</u>	<u>\$ 135,404</u>	<u>\$ 165,403</u>	<u>\$ 132,410</u>	<u>\$ 141,372</u>

Source: 2015-2018 Audited Financial Statements, 2019 unaudited City records.

CURRENT FUND
SCHEDULE OF APPROPRIATIONS
LAST FIVE YEARS (000 OMITTED)

	Year Ended Dec. 31, 2019 (unaudited)	Year Ended Dec. 31, 2018	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015
Operating Expenses:					
Salaries and Wages	\$ 59,213	\$ 59,519	\$ 58,824	\$ 58,250	\$ 56,586
Other Expenses	50,691	39,840	38,477	36,776	35,861
Pensions	17,538	16,054	15,014	14,661	14,147
Deferred Charges	43	43	42	-	55
Reserve for Uncollected Taxes	<u>1,676</u>	<u>1,740</u>	<u>1,700</u>	<u>1,700</u>	<u>2,600</u>
	129,161	117,196	114,057	111,387	109,249
Capital Improvements	1,100	100	20	65	-
Municipal Debt Service	13,581	12,312	13,302	13,775	13,163
School Debt Service	<u>10,520</u>	<u>10,622</u>	<u>10,233</u>	<u>10,273</u>	<u>9,691</u>
	<u>\$ 154,362</u>	<u>\$ 140,230</u>	<u>\$ 137,612</u>	<u>\$ 135,500</u>	<u>\$ 132,103</u>

Source: 2015-2018 Audited Financial Statements, 2019 unaudited City records.

**CURRENT FUND BALANCES
AND
AMOUNTS UTILIZED IN SUCCEEDING YEAR'S BUDGET**

Year Ended	Fund Balance End of Year	Utilized in Succeeding Year's Budget	
		Amount	Percentage
Dec. 31, 2019 (1)	\$ 21,993,934	(3)	0.00%
Dec. 31, 2018	28,593,921	14,408,000	50.39%
Dec. 31, 2017	15,411,379	12,500,000	81.11%
Dec. 31, 2016	27,194,343	17,875,000	65.73%
Dec. 31, 2015	5,280,007	5,000,000	94.70%
Dec. 31, 2014	5,067,253	6,421,173	126.72%
Dec. 31, 2013	16,481,343	14,900,000	90.41%
Dec. 31, 2012	8,799,684	1,785,000	20.28%
Dec. 31, 2011 (2)	6,795,568	695,000	10.23%
June 30, 2011	11,100,622	5,975,000	53.83%

(1) Unaudited

(2) Six Month "Transition Year"

(3) Information not yet available

Source: 2011-2018 Audited Financial Statements, 2019 unaudited City records.

DEMOGRAPHIC INFORMATION

Population

Political Division	2010	2000	1990	1980	1970	Percent Change	
						2010-2000	2010-1970
City	63,024	61,842	61,444	65,047	72,743	0.19%	-15.42%
County	634,266	608,975	553,099	556,972	609,266	0.42%	0.39%
State	8,791,894	8,414,350	7,730,188	7,365,011	7,171,112	0.45%	18.43%

Population Density

Political Division	Area in Sq. Miles	2010	2000	1990	1980	1970
City	5.63	11,194	10,992	11,400	12,068	13,496
County	46.69	13,585	13,043	11,915	11,999	13,094
State	7,419.00	1,185	1,134	1,042	993	967

Source: 2010 Federal Census Information.

MAJOR EMPLOYERS

<u>Employer</u>	<u>Nature of Business</u>	<u>2019 Approximate Employment</u>
Non-Governmental:		
Bayonne Medical Center	Medical Facility	1,867
Jerhel Plastics Inc	Plastic Packaging	500
Gel Spice Company Inc	Manufacturer	500
Vertellus	Specialty Chemicals	350
Bayonne Community Bank	Bank	327
European American Food Group Co. Inc.	Food	325
Ideal Window Manufacturing Inc	Manufacturer	287
Muralo Company, Inc	Manufacturer	250
Inserra, Inc.	Supermarket	220
Royal Wine Corporation	Kosher Wine Maker	200

Source: Hudson County Economic Development Corp.

MAJOR REAL PROPERTY TAXPAYERS

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>2019 Assessed Valuation</u>
Bayonne Industries-IMTT	Petrochemical	\$ 116,806,400
Bayonne Auto Terminal	Auto Marine Terminal	23,095,700
Gordon Terminal Service Co. of NJ	Petrochemical	13,453,500
Texaco Downstream Properties, Inc	Oil	12,388,300
Exxon Corporation	Petrochemical	12,291,000
Bayonne Bay Dvlprs Urbn Rnwl, LLC	Real estate	12,233,600
NJIND Hook Road, LLC	Oil	9,000,000
MPT of Bayonne, LLC	Real estate	8,000,000
Buckeye Bayonne Terminal LLC	Real estate	7,800,000
South Cove Development, LLC	Real estate	7,294,100
Total Real Property Assessed Valuation		<u><u>\$ 222,362,600</u></u>
Percent of City's Total Taxable Real Property		10.16%

Source: The City Tax Assessor.

NET ASSESSED AND EQUALIZED PROPERTY VALUATIONS

Real Property Net Assessed Valuation by Classification

Classification	2019	2018	2017	2016	2015	2019 Use Analysis
Residential	1,380,846,164	1,381,593,664	1,384,354,164	1,390,596,690	1,406,158,490	44.59%
Apartment	106,660,200	104,480,400	103,908,700	103,964,900	105,545,300	3.44%
Commercial	291,908,000	292,234,200	299,304,400	300,027,600	305,031,300	9.43%
Industrial	255,317,600	256,621,000	278,061,700	286,213,100	304,327,300	8.24%
Vacant Land	145,152,400	131,538,000	95,436,100	88,432,300	87,097,400	4.69%
Sub-Total	2,179,884,364	2,166,467,264	2,161,065,064	2,169,234,590	2,208,159,790	70.39%
Exempt Property:						
Public (1)	682,180,700	704,990,900	371,531,800	422,024,300	423,758,100	22.03%
Other (2)	234,786,675	228,127,275	566,109,075	559,315,525	540,695,125	7.58%
Total Real Property	<u>\$ 3,096,851,739</u>	<u>\$ 3,099,585,439</u>	<u>\$ 3,098,705,939</u>	<u>\$ 3,150,574,415</u>	<u>\$ 3,172,613,015</u>	<u>100.00%</u>

(1) Includes school, municipal, County, State and federal property.

(2) Includes private and denominational schools, church and charitable properties, and other exempt properties

Source: City's tax duplicates.

Net Assessed and Equalized Property Valuations

	2019	2018	2017	2016	2015
Net Assessed Valuation:					
Real Property	2,179,884,364	2,166,467,264	2,161,065,064	2,169,234,590	2,208,159,790
Personal Tangible Property	2,611,677	2,657,878	2,701,273	2,665,905	2,409,518
Total Net Assessed Valuation	2,182,496,041	2,169,125,142	2,163,766,337	2,171,900,495	2,210,569,308
Percent Increase (Decrease) over Previous Year	0.62%	0.25%	-0.37%	-1.75%	-0.49%
Equalized Valuation	6,436,775,677	5,969,390,487	5,502,541,083	5,277,250,128	5,371,056,108
Percent Increase (Decrease) over Previous Year	7.83%	8.48%	4.27%	-1.75%	4.64%

(1) Net assessed valuation after deductions permitted under State statutes.

(2) As equalized by the County.

Source: County of Hudson Abstract of Ratables for years shown.

LEVY AND COLLECTION OF TAXES
As of Last Ten Fiscal Years

The levy and collection of taxes are based upon the City's July 1 to June 30 fiscal year, for and through the years ended June 30, 2011, July 1 to December 31 for the six-month transition year and calendar years thereafter. The City is the political entity responsible for the levying and collection of taxes on all taxable real property within its borders, including the tax levies for the County and the City School District.

Property taxes are based on an assessor's valuation of real property and are levied for a calendar year. The taxes for City, City School District and County purposes are combined into one tax levy, which is apportioned on the tax bill by rate and amount for taxpayer information only. Turnover of tax monies by the City to the City School District is based on school needs and is generally made on a periodic basis throughout the year. The City remits 100% of the County taxes, payable quarterly on the 15th days of February, May, August and November.

The City mails tax bills twice a year. The bill for the first two quarters, due on the first days of February and May, is mailed in October of the preceding calendar year. The bill for the final two quarters, due on the first days of August and November, is mailed in June of the current calendar year. Delinquent balances are subject to an interest penalty of 8% on the first \$1,500 of the total delinquent amount, and 18% on all delinquent amounts in excess of \$1,500. Any account having a delinquent balance in excess of \$10,000 at the close of the fiscal year is subject to an additional penalty in the amount of 6% of the total amount of the delinquency. Any unpaid taxes as of June 30 or December 31, dependent on the year end noted above, are subject to tax sale. Any tax liens not purchased by investors revert to the City, and are subsequently subject to foreclosure proceedings to acquire title to the property if the delinquency is not paid promptly thereafter.

Tax Rate Apportionment
(Per \$1,000 of Assessed Valuation)

Year	Municipal	County	School	Tax Rate	Special Improvement District (1)
2019	37.23	12.77	36.29	86.29	5.00
2018	36.24	12.38	35.96	84.58	5.00
2017	35.37	12.41	34.61	82.39	5.00
2016	34.73	12.68	31.94	79.35	5.00
2015	32.07	12.99	31.68	76.74	5.02
2014	30.65	12.42	31.37	74.44	4.96
2013	30.35	12.39	30.65	73.39	4.58
2012	28.53	12.46	30.15	71.14	4.23
2011	28.77	11.44	28.28	68.49	4.23
2010	26.37	11.00	25.51	62.88	4.20

⁽¹⁾ Special Improvement District is not included in the Tax Rate as the District only covers certain commercial businesses on Broadway.

Source: The City's 2010-2018 Audited Financial Statements, 2019 Division of Local Government Services – Property Tax Tables.

Tax Levy Apportionment

Year	Municipal	County	School	Additional School (1)	Special Improvement District (2)	Tax Levy
2019	\$ 82,411,735	\$ 28,059,485	\$ 68,688,020	\$ 10,521,000	\$ 290,000	\$ 189,970,240
2018	79,692,304	27,023,585	67,356,978	10,633,000	290,000	184,995,867
2017	77,606,450	27,038,146	64,644,844	10,233,000	290,000	179,812,440
2016	75,965,360	27,615,267	62,025,142	7,337,117	290,000	173,232,886
2015	70,891,756	28,732,549	60,283,361	9,737,000	290,000	169,934,666
2014	68,088,659	27,696,235	59,392,474	10,297,337	290,000	165,764,705
2013	68,263,421	27,878,958	58,810,195	10,142,836	290,000	165,385,410
2012	65,294,134	28,574,165	57,657,055	11,340,706	290,000	163,156,060
2011*	32,022,305	13,438,484	28,543,097	6,450,284	145,000	80,599,170
2011	60,525,380	26,527,183	57,086,193	8,135,513	290,000	152,564,269

* 6 month Transition Year

(1) Addition to Local District School Tax.

(2) Consists of a levy on merchants in the 27th Street area of Broadway for the improvements to stores.

Source: The City's 2011-2018 Audited Financial Statements, 2019 unaudited financial records.

Tax Collection Experience

Year	Tax Levy (1)	Current Levy Collection		Delinquent Taxes Collected	Total Collection	
		Amount	Percentage		Amount	Percentage
2019	\$ 189,970,240	\$ 188,952,409	99.46%	\$ 174,084	\$ 189,126,493	99.56%
2018	184,995,868	183,876,447	99.39%	262,811	184,139,258	99.54%
2017	179,812,441	178,865,576	99.47%	121,478	178,987,054	99.54%
2016	173,232,886	173,040,243	99.89%	413,718	173,453,961	100.13%
2015	169,948,441	169,099,645	99.50%	49,566	169,149,211	99.53%
2014	166,250,146	164,611,053	99.01%	68,683	164,679,736	99.06%
2013	165,793,169	163,980,742	98.91%	240,333	164,221,075	99.05%
2012	163,485,249	161,759,655	98.94%	65,525	161,825,180	98.98%
TY2011*	81,472,499	79,547,559	97.64%	51,653	79,599,212	97.70%
2011	152,564,269	152,262,479	99.80%	470,406	152,732,885	100.11%

* 6 month Transition Year

(1) Includes Special Improvement District

Source: 2011-2018 Audited Financial Statements, 2019 unaudited financial records

Municipal Purpose Tax Collection

<u>Year</u>	<u>Municipal Purpose Tax Levy (1)</u>	<u>Current Municipal Tax Collection (2)</u>	<u>Delinquent Municipal Tax Collection</u>	<u>Total Municipal Tax Collection</u>	<u>Reserve for Uncollected Taxes</u>
2019	\$ 82,411,735	\$ 81,393,904	\$ 174,084	\$ 81,567,988	\$ 1,676,212
2018	79,692,304	78,553,600	262,811	78,816,411	1,740,000
2017	77,606,450	76,659,586	121,478	76,781,064	1,700,000
2016	75,965,360	75,772,717	413,718	76,186,435	1,700,000
2015	71,043,785	70,056,735	49,566	70,106,301	2,600,000
2014	68,574,100	66,935,007	68,683	67,003,690	2,720,000
2013	68,671,180	66,858,753	240,333	67,099,086	3,000,000
2012	65,623,323	63,897,729	65,525	63,963,254	727,000
TY2011*	32,895,634	30,130,694	51,653	30,182,347	840,000
2011	60,525,380	59,353,590	470,406	59,823,996	870,000

* 6 month Transition Year

(1) Excludes the tax levy for additional school purpose.

(2) Net after deductions for County, School District, Additional School District and Special Improvement District tax levies.

Source: The City's 2011-2018 Audited Financial Statements, 2019 unaudited financial records.

Delinquent Taxes and Tax Liens

<u>Year</u>	<u>Delinquent Taxes</u>	<u>Tax Title Liens</u>	<u>Total Delinquent</u>	<u>Percent of Tax Levy</u>
2019	\$ 1,359,569	\$ 562,652	\$ 1,922,221	1.01%
2018	1,053,069	562,652	1,615,721	0.87%
2017	1,036,505	531,467	1,567,972	0.87%
2016	431,950	501,090	933,040	0.54%
2015	748,057	654,855	1,402,912	0.81%
2014	841,686	617,705	1,459,391	0.86%
2013	241,657	581,664	823,321	0.50%
2012	562,173	546,136	1,108,309	0.67%
TY2011*	402,491	511,697	914,188	0.56%
2011	350,956	495,123	846,079	1.05%

Tax Title Liens

<u>Year</u>	<u>Balance Start of Year</u>	<u>Sales & Transfers</u>	<u>Other Credits</u>	<u>Balance End of Year</u>
2019	\$ 562,652	\$ -	\$ -	\$ 562,652
2018	531,467	31,185	-	562,652
2017	501,090	30,377	-	531,467
2016	654,855	29,256	183,021	501,090
2015	617,705	37,150	-	654,855
2014	581,664	36,041	-	617,705
2013	546,136	35,528	-	581,664
2012	511,697	34,439	-	546,136
TY2011*	495,124	16,573	-	511,697
2011	463,859	31,265	-	495,124

Foreclosed Property

<u>Year</u>	<u>Balance, End of Year</u>	<u>Year</u>	<u>Balance, End of Year</u>
2019	\$ 6,473,400	2014	\$ 6,474,000
2018	6,473,400	2013	6,474,000
2017	6,482,400	2012	6,474,000
2016	6,482,400	TY2011*	8,599,000
2015	6,474,000	2011	8,563,300

* 6 month Transition Year

Source: The City's 2011 -2018 Audited Financial Statements, 2019 unaudited financial records

**COMPARISON OF
MUNICIPAL PURPOSE TAX LEVY
TO
ANNUAL DEBT SERVICE REQUIREMENT**

<u>Year</u>	<u>Municipal Purpose Tax Levy (1)</u>	<u>(2) Debt Service Requirements</u>	<u>Percent of Debt Service to Municipal Tax Levy</u>
2019	\$ 82,411,735	\$ 13,637,852	16.55%
2018	79,692,304	12,311,800	15.45%
2017	77,606,450	13,330,835	17.18%
2016	75,965,360	13,778,030	18.14%
2015	71,153,856	13,163,184	18.50%
2014	68,574,100	12,571,030	18.33%
2013	68,671,180	11,129,098	16.21%
2012	66,116,700	10,370,815	15.69%
TY2011*	32,895,634	8,001,471	24.32%
2011	60,525,380	10,298,585	17.02%

* 6 month Transition Year

(1) Excludes Additional School and Special Improvement District Tax Levies.

(2) Excludes School District debt service requirements; but includes principal and interest on borrowing from the Hudson County Improvement Authority for General Capital.

Source: The City's 2011-2018 Audited Financial Statements, 2019 unaudited financial records

DEBT INFORMATION

General Information

The State has enacted certain laws and statutes regulating the authorization and issuance of debt by tax levying local governmental units of the State. The statutory gross debt must include all debt authorized plus all debt issued which remains outstanding. Debt, bonds or notes, which have been refunded and payment for which is made from escrowed U.S. Treasury securities or other permitted investments, are considered outstanding under State statutes until such outstanding debt has matured or has been called for redemption. However, any debt which is self-supporting or which is payable from other sources or debt issued for refunding purposes may be deducted from the statutory gross debt to arrive at the amount of statutory net debt. The statutory net debt figure is the amount to determine if a local governmental unit is within the limit of its statutory borrowing power.

The debt incurring capacity is limited by statute to 3.50% of its statutory equalized valuation. The levy of taxes to pay annual debt service requirements is not limited by any State statute or law. Generally, the amount bid for a bond issue may not exceed \$1,000 above the principal amount offered for sale and may not be less than the amount offered for bid.

Bond anticipation notes ("BANS") may be issued to temporarily finance a capital improvement or project. BANS may be issued in an amount not exceeding the amount specified in an ordinance, as may be supplemented, less a 5% down payment. BANS may be issued up to or for a one-year period, and may be rolled-over for not exceeding one-year periods. The final maturity of a BAN issue cannot exceed May 1 following the end of the tenth fiscal year from the BANS' original issue date. Beginning with the third year of issuance, BAN principal must be decreased by an estimated amount of the first maturity of a bond issue.

Tax anticipation notes ("TANS") are limited in amount that may be issued to 30% of the tax levy plus 30% of realized miscellaneous revenue of the next preceding fiscal year, and principal together with interest thereon must be paid in full from the current year's tax collection within three months after the close of the current fiscal year.

Capital notes ("CNS") may be issued in an amount not exceeding \$200,000 or 1/2 of 1.00% of the City's equalized valuation, whichever is greater, for a five-year period. Twenty percent of the principal amount of CNS issued must mature each year and, together with interest due, be paid annually.

Notes issued for temporary financing of an improvement or project may be sold through negotiation. For a more complete description of the above summaries, please refer to N.J.S.A. 40A:2-1 et seq.

Under laws creating authorities, a local governmental unit may enter into a contract or agreement to borrow funds from an authority or, under a deficiency type of agreement, guarantee debt service payments on debt issued by an authority. If a local governmental unit borrows funds from an authority, such borrowing is not included in a local governmental unit's statutory gross debt. If a local governmental unit guarantees all or any part of an authority's outstanding debt, the portion of debt service not payable from an authority's revenues, and which is paid by a local governmental unit, must be included in a local governmental unit's statutory net debt amount (a "deficiency agreement").

The City of Bayonne is in the early stages of possibly acquiring and improving real property for the use as school facilities (the "Bayonne Education Project") by the Bayonne Board of Education (the "Bayonne Board of Education"). The cost of the Bayonne Education Project is estimated to be approximately \$26,000,000. The undertaking of the Bayonne Education Project and issuance of any obligations for such project is estimated to occur in the Fall of 2020. The payment stream and revenues for any obligations issued for the Bayonne Education project will be provided by lease payments from the Bayonne Board of Education over approximately thirty (30) years. At this time, the City of Bayonne has not made a final determination as to whether it will issue bonds or notes for the Bayonne Education Project or if such project will be financed by bonds or notes issued by a conduit financing entity.

Appropriation Not Required for Payments on Debt

It is not necessary to have an appropriation in order to release money for debt service on obligations. N.J.S.A. 40A:4-57 says "No officer, board, body or commission shall, during any fiscal year, expend money (except to pay notes, bonds or interest thereon), incur any liability, or enter into any contract which by its terms involves the expenditure of money for any purpose for which no appropriation is provided, or in excess of the amount appropriated for such purpose". N.J.S.A.40A:2-4 says "The power and obligation of a local unit to pay any or all of the bonds and notes issued by it pursuant to this chapter, or any act which in this chapter is a revision, shall be unlimited...".

The following schedules set forth information on the City's debt authorized but unissued, debt issued and outstanding, the remaining borrowing capacity and overlapping debt. After the date noted below, the debt information and statistics noted on the following pages may vary from the figures shown because of either a reduction or an increase in the amounts of debt for each of the political entities noted.

STATUTORY DEBT As of December 31, 2019

Remaining Borrowing Power

Statutory Equalized Valuation (1)	\$ 6,436,775,677
Statutory Debt Limit (2)	\$ 225,287,149
Statutory Net Debt	\$ 162,594,433
Statutory Borrowing Power	\$ 62,692,716
Net Debt to Equalized Value	2.53%

⁽¹⁾ Average of the immediately preceding three years (2019, 2018, 2017.)

⁽²⁾ 3.5% of the Statutory Equalized Valuation as determined by the State.

Source: 2019 unaudited annual debt statement

**TREND OF STATUTORY REMAINING BORROWING POWER
AND
TREND OF NET DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Statutory Remaining Borrowing Power

Year	Statutory Equalized Valuation	Statutory Debt Limit	Net Debt Outstanding	Authorized but not Issued Debt	Remaining Statutory Borrowing Power
2019	\$ 6,436,775,677	\$ 225,287,149	\$ 146,597,913	\$ 21,430,694	\$ 57,258,541
2018	5,879,548,723	205,784,205	148,189,096	18,524,746	39,070,363
2017	5,522,860,925	193,300,132	152,227,720	3,899,746	37,172,666
2016	5,339,353,666	186,877,378	151,424,008	7,849,746	27,603,624
2015	5,230,842,993	183,079,505	156,879,014	3,399,230	22,801,261
2014	5,206,569,374	182,229,928	153,069,992	3,399,230	25,760,706
2013	5,360,107,444	187,603,761	169,753,334	5,649,230	12,201,197
2012	5,512,364,667	192,932,763	102,504,335	359,230	90,069,198
TY2011*	5,885,001,025	205,975,036	106,691,358	359,230	98,924,448
2011	6,215,253,093	217,533,858	110,931,354	7,758,153	98,844,351

Net Debt Outstanding

Year	Bonds Outstanding	Loans Outstanding	Notes Outstanding	Deduction For		Net Debt Outstanding	(1) Parking Utility Debt
				Debt Service Reserve	Pension Refunding		
2019	\$ 123,817,346	\$ 102,237	\$ 39,072,000	\$ 2,333,670	\$ 14,060,000	\$ 146,597,913	\$ 2,040,000
2018	127,627,836	116,824	35,949,000	1,194,564	14,310,000	148,189,096	2,250,000
2017	109,983,074	144,977	57,800,000	1,190,331	14,510,000	152,227,720	2,455,000
2016	113,095,827	186,292	54,144,000	1,342,111	14,660,000	151,424,008	2,660,000
2015	114,853,257	327,262	58,020,000	1,341,505	14,980,000	156,879,014	2,855,000
2014	114,550,134	466,718	59,625,140	6,322,000	15,250,000	153,069,992	3,020,000
2013	110,158,212	604,677	75,087,041	626,596	15,470,000	169,753,334	3,180,000
2012	98,608,430	741,163	19,401,338	626,596	15,620,000	102,504,335	3,335,000
TY2011*	100,263,299	876,195	21,898,460	626,596	15,720,000	106,691,358	-
2011	101,818,000	991,552	23,991,802	150,000	15,720,000	110,931,354	-

Bonds outstanding includes debt issued by the Hudson County Improvement Authority (HCIA).

Loans outstanding include Green Acres Trust.

* 6 month Transition Year

(1) Parking Utility Debt calculated to be self-liquidating and is not included in Net Debt.

Source: The City's annual debt statements.

AUTHORIZED BUT NOT ISSUED DEBT
(As of December 31, 2019)

Ordinance Number	Purpose	Authorized Amount
General Improvements:		
O-99-31	Demolition of Unsafe Buildings	\$ 309,213
O-03-24	Various Capital Improvements	533
O-13-23	Dissolution of BLRA	3,040,000
O-18-52	Aqueduct Improvements	10,700,000
O-19-56	Various Capital Improvements	7,380,948
		<u>\$ 21,430,694</u>

TEMPORARY DEBT ISSUED AND OUTSTANDING
(As of December 31, 2019)

Ordinance Number	Purpose	Interest Rate	Date of Original Issue	Date of Maturity	Amount Outstanding
General Improvements					
0-13-23	LRA Project Notes	3.196%	07/25/2013	05/22/2020	\$ 27,026,000
0-15-29	Refund Tax Appeals	3.196%	12/22/2015	05/22/2020	846,000
0-16-66	Various Capital Improvements	2.594%	10/19/2017	09/18/2020	4,500,000
0-17-21	Various Capital Improvements	2.594%	10/19/2017	09/18/2020	1,675,000
0-17-28	Roadway Improvements	2.594%	10/04/2018	09/18/2020	550,000
0-18-51	Various Capital Improvements	2.217%	05/24/2019	05/22/2020	3,475,000
0-18-52	Aqueduct Improvements	2.000%	10/18/2019	09/18/2020	1,000,000
Temporary Debt Issued and Outstanding					<u>\$ 39,072,000</u>

Source: 2019 unaudited annual financial statement

PERMANENT DIRECT AND CONTINGENT DEBT
ISSUED AND OUTSTANDING
(As of December 31, 2019)

Direct Debt

Purpose	Interest Rate (%)	Issue Date	Final Maturity Date	Amount Outstanding
General Capital:				
Pension Refunding Bonds	5.05-5.68	1/15/03	1/15/33	\$ 14,060,000
Capital Appreciation Bonds	3.55-5.17	7/1/03	7/1/23	1,717,736
HCIA Bonds *	5.00	10/24/08	8/1/25	4,600,000
Special Assessment Bonds	2.25-5.00	11/19/14	11/15/34	4,725,000
General Obligation Refunding Bonds	2.00-5.00	6/10/15	8/1/38	13,775,000
Infrastructure Bonds	2.00-5.00	3/22/16	7/1/39	64,775,000
General Improvement Bonds	2.00-5.00	4/17/18	2/1/29	6,818,000
General Improvement Bonds	2.00-5.00	4/17/18	2/1/48	13,092,000
BMUA Obligations	4.06	12/20/12	12/20/52	254,610
Subtotal				<u>123,817,346</u>
School:				
School Refunding Bonds	5.00-5.50	4/1/03	1/15/23	2,185,000
School Bonds (Capital Appreciation Bonds)	4.08-4.97	2/15/03	2/15/22	884,916
School Bonds (Capital Appreciation Bonds)	3.75-4.96	7/3/03	7/1/23	3,682,242
ERIP Bonds	4.11-6.25	5/7/09	6/1/21	2,360,000
School Refunding Bonds	3.00-5.00	8/13/14	7/15/25	18,100,000
School Bonds	2.25-5.00	11/19/14	11/15/34	4,986,000
School Bonds	2.00-3.25	11/19/14	11/15/21	312,000
School Refunding Bonds	2.00-5.00	6/10/15	8/1/30	14,385,000
School Bonds	2.00-4.00	4/19/16	7/1/25	2,140,000
Subtotal				<u>49,035,158</u>
Parking Utility:				
Parking Utility Refunding Bonds	2.00-5.00	6/10/15	8/1/27	2,040,000
Subtotal				<u>2,040,000</u>
Total Permanent Direct Bonds				<u>\$ 174,892,504</u>

Source: 2019 unaudited annual financial statement.

The Hudson County Improvement Authority

The City has entered into several contracts with the Hudson County Improvement Authority (the "HCIA") under the HCIA's Pooled Government Loan Program - a variable interest rate program with interest calculated on a monthly basis. The outstanding balance as of December 31, 2019 is included in the preceding and following tables.

ANNUAL DEBT SERVICE REQUIREMENTS **TAX SUPPORTED BONDS** (As of December 31, 2019)

Includes Hudson County Improvement Authority (the "HCIA") bonds, with interest rates varying on a monthly basis. For the purpose of preparing this schedule, the interest on the HCIA Bonds was calculated using a 5.00% interest rate.

	City (General Capital)		School		Total	Total	Total Combined
	Principal	Interest	Principal	Interest	Principal	Interest	Principal and Interest
2020	\$ 4,159,837	\$ 6,454,496	\$ 7,004,122	\$ 3,555,953	\$ 11,163,959	\$ 10,010,449	\$ 21,174,408
2021	4,360,001	6,300,837	7,062,981	3,390,632	11,422,982	9,691,469	21,114,451
2022	4,489,944	6,131,629	5,890,629	3,184,587	10,380,573	9,316,216	19,696,789
2023	4,607,955	5,894,223	5,696,426	2,680,140	10,304,381	8,574,363	18,878,744
2024	3,990,000	5,014,540	4,450,000	929,641	8,440,000	5,944,181	14,384,181
2025	6,540,000	4,805,307	4,625,000	748,441	11,165,000	5,553,748	16,718,748
2026	5,235,000	4,453,032	1,185,000	593,541	6,420,000	5,046,573	11,466,573
2027	5,475,000	4,202,033	2,690,000	540,691	8,165,000	4,742,724	12,907,724
2028	5,690,000	3,945,057	2,910,000	442,291	8,600,000	4,387,348	12,987,348
2029	5,938,000	3,675,846	3,115,000	335,754	9,053,000	4,011,600	13,064,600
2030	5,350,000	3,455,904	2,790,000	186,660	8,140,000	3,642,564	11,782,564
2031	5,565,000	3,235,711	385,000	54,098	5,950,000	3,289,809	9,239,809
2032	5,820,000	2,953,634	395,000	41,585	6,215,000	2,995,219	9,210,219
2033	7,690,000	2,658,061	410,000	28,748	8,100,000	2,686,809	10,786,809
2034	6,710,000	2,334,406	426,000	14,910	7,136,000	2,349,316	9,485,316
2035	6,740,000	2,014,701	-	-	6,740,000	2,014,701	8,754,701
2036	7,095,000	1,688,834	-	-	7,095,000	1,688,834	8,783,834
2037	7,485,000	1,344,015	-	-	7,485,000	1,344,015	8,829,015
2038	7,905,000	979,965	-	-	7,905,000	979,965	8,884,965
2039	7,315,000	595,365	-	-	7,315,000	595,365	7,910,365
2040	510,000	231,615	-	-	510,000	231,615	741,615
2041	530,000	208,215	-	-	530,000	208,215	738,215
2042	550,000	183,915	-	-	550,000	183,915	733,915
2043	575,000	158,603	-	-	575,000	158,603	733,603
2044	595,000	132,278	-	-	595,000	132,278	727,278
2045	620,000	104,940	-	-	620,000	104,940	724,940
2046	645,000	76,478	-	-	645,000	76,478	721,478
2047	675,000	46,778	-	-	675,000	46,778	721,778
2048	702,000	15,795	-	-	702,000	15,795	717,795
2052	254,610	-	-	-	254,610	-	254,610
Total	<u>\$ 123,817,346</u>	<u>\$ 73,296,211</u>	<u>\$ 49,035,158</u>	<u>\$ 16,727,672</u>	<u>\$ 172,852,504</u>	<u>\$ 90,023,883</u>	<u>\$ 262,876,387</u>

Source: Bond Amortization Schedules

State Loans

On February 7, 2006, the City borrowed an additional \$271,000 in two loans from the State under the Green Acres Loan program to fund improvements to the 16th Street Boat Ramp. Under the terms of these loans, the City makes semi-annual principal and interest payments for the Green Acres loans, until the final maturity dates as noted below. The outstanding balances as of December 31, 2019 are as follows:

<u>Purpose</u>	<u>Interest Rate (%)</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount Outstanding</u>
Green Acres, State Loan:				
16 th Street Boat Ramp	2.00	2/7/06	2/9/26	\$ 64,512
16 th Street Boat Ramp	2.00	2/7/06	2/10/26	37,725
Total				<u>\$ 102,237</u>

DIRECT AND OVERLAPPING DEBT ISSUED AND OUTSTANDING

As of December 31, 2019

(Except as noted below)

	<u>Direct Debt</u>		<u>Direct and Overlapping Debt</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Direct Debt:				
General	\$ 177,048,586	\$ 160,654,916	\$ 177,048,586	\$ 160,654,916
Utility	2,149,400	-0-	2,149,400	-0-
School	52,735,158	-0-	52,735,158	-0-
Overlapping Debt:				
Hudson County (1)	n/a	n/a	66,777,000	35,552,470
HCIA (2)	n/a	n/a	39,000,027	39,000,027
	<u>\$ 231,933,144</u>	<u>\$ 160,654,916</u>	<u>\$ 337,710,171</u>	<u>\$ 235,207,413</u>

(1) The County of Hudson's gross and net debt at December 31, 2019 was \$917,933,342 and \$488,713,143, respectively, per the unaudited Annual Debt Statement of the County. The City's share (7.27%) is based on the City's percentage of the total county taxes apportioned for 2019 per the 2019 Abstract of Ratables.

(2) This figure represents 7.27% of the HCIA's audited gross debt at December 31, 2018 of \$536,451,543.

Source: As noted above.

DEBT RATIOS

	<u>Direct Debt</u>		<u>Direct and Overlapping Debt</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Per Capita (1)	\$ 3,680	\$ 2,549	\$ 5,358	\$ 3,732
Equalized Valuation (2)	3.60%	2.50%	5.25%	3.65%

(1) Based on 2010 Federal Census (63,024).

(2) As equalized for year 2019 by the City (\$6,436,775,677).

APPENDIX B

**CITY OF BAYONNE
FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2019 (UNAUDITED) AND
AS OF DECEMBER 31, 2018 (AUDITED)**

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CITY OF BAYONNE
COUNTY OF HUDSON, NEW JERSEY
COMPILED FINANCIAL STATEMENTS
FOR THE UNAUDITED
YEAR ENDED DECEMBER 31, 2019

(with Audited 2018 Financial Statements for Comparative Purposes)



**DONOHUE, GIRONDA,
DORIA & TOMKINS, LLC**

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

Certified Public Accountants

Robert A. Gironda, CPA
Robert G. Doria, CPA (N.J. & N.Y.)
Frederick J. Tomkins, CPA, RMA
Matthew A. Donohue, CPA

310 Broadway
Bayonne, NJ 07002
(201) 437-9000
Fax: (201) 437-1432
E-Mail: dgd@dgdcpas.com

Linda P. Kish, CPA, RMA
Mark W. Bednarz, CPA, RMA
Jason R. Gironda, CPA
Mauricio Canto, CPA, RMA

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

The Honorable Mayor and Members
of the City Council
City of Bayonne, New Jersey

Management is responsible for the accompanying financial statements of the City of Bayonne, New Jersey (the "City") which comprise the balance sheet – regulatory basis, of each fund as of December 31, 2019, and the statement of operations and changes in fund balance – regulatory basis, statement of revenues – regulatory basis and statement of appropriations – regulatory basis, of the Current and Parking Utility Operating Funds, and the related statement of changes in Fund Balance – regulatory basis, of the General Capital and Parking Utility Capital Funds, which collectively comprise the City's basic financial statements. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the 2019 financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements are prepared in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The 2018 financial statements were audited by us, and we expressed a qualified opinion on them in accordance with the financial reporting provisions of the Division as described above in our report dated September 5, 2019.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with the financial reporting provisions of the Division. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the City's assets, liabilities, fund balance, revenues and expenditures. Accordingly, the financial statements are not designed for those who are not informed about such matters.



DONOHUE, GIRONDA, DORIA & TOMKINS, LLC
Certified Public Accountants



MARK W. BEDNARZ
RMA No. 547

Bayonne, New Jersey
April 21, 2020



**DONOHUE, GIRONDA,
DORIA & TOMKINS, LLC**
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

CITY OF BAYONNE
CURRENT FUND
AS OF DECEMBER 31, 2019 (Unaudited) AND 2018 (Audited)

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>2019</u> <u>(Unaudited)</u>	<u>2018</u> <u>(Audited)</u>
<u>Assets</u>		
Current Fund:		
Cash and Cash Equivalents	\$ 39,978,263	\$ 44,007,640
Cash - Change Funds	950	950
Subtotal	<u>39,979,213</u>	<u>44,008,590</u>
Intergovernmental Receivable:		
State Aid	<u>2,600,891</u>	<u>2,443,267</u>
	<u>42,580,104</u>	<u>46,451,857</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes	1,359,569	1,053,069
Tax Title Liens	562,652	562,652
Property Acquired for Taxes at Assessed Valuation	6,473,400	6,473,400
Due from Bulk Levy Purchaser	398,815	-
Revenue Accounts Receivable	2,466,185	1,120,785
Interfunds Receivable	16	800,297
Total Receivables with Full Reserve	<u>11,260,637</u>	<u>10,010,203</u>
Deferred Charges:		
Revaluation	747,890	-
Loans Payable-Prior Year	104,239	104,239
Tax Map	130,290	173,720
Total Deferred Charges	<u>982,419</u>	<u>277,959</u>
Total Current Fund Assets	<u>54,823,160</u>	<u>56,740,019</u>
Federal and State Grant Fund:		
Federal and State Grants Receivable	15,755,820	3,834,501
Due from Current Fund	<u>2,295,215</u>	<u>1,301,143</u>
Total Federal and State Grant Fund Assets	<u>18,051,035</u>	<u>5,135,644</u>
Total Assets	<u><u>\$ 72,874,195</u></u>	<u><u>\$ 61,875,663</u></u>

CITY OF BAYONNE
CURRENT FUND
AS OF DECEMBER 31, 2019 (Unaudited) AND 2018 (Audited)
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	2019 (Unaudited)	2018 (Audited)
<u>Liabilities, Reserves and Fund Balance</u>		
Current Fund:		
Appropriation Reserves	\$ 5,414,200	\$ 5,215,340
Encumbrances	1,434,061	935,042
Contracts Payable	422,107	305,934
Special Emergency Notes Payable	747,890	-
Interfunds Payable	4,784,667	1,393,026
Prepaid Tax Cost Sale	33,016	20,000
Due to State of New Jersey:		
Veteran and Senior Citizen Deductions	82,251	65,756
Tax Overpayments	2,164,927	3,595,966
Prepaid Taxes	857,174	794,576
Due County for Added and Omitted Taxes	198,466	183,864
Special Improvement District Taxes Payable	621,319	630,091
Reserve for Other	1,710,785	1,214,094
Reserve for Urban Enterprise Funds	3,097,726	3,782,206
	21,568,589	18,135,895
Reserve for Receivables	11,260,637	10,010,203
Fund Balance	21,993,934	28,593,921
Total Current Fund Liabilities, Reserves and Fund Balance	54,823,160	56,740,019
Federal and State Grant Fund:		
Encumbrances Payable	1,161,790	523,441
Reserve for Federal and State Grants:		
Appropriated	16,222,070	4,339,695
Unappropriated	667,175	272,508
Total Federal and State Grant Fund Liabilities and Reserves	18,051,035	5,135,644
Total Liabilities, Reserves and Fund Balance	\$ 72,874,195	\$ 61,875,663

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 (Unaudited) AND 2018 (Audited)**

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

	2019 (Unaudited)	2018 (Audited)
<u>Revenue and Other Income Realized:</u>		
Fund Balance Utilized	\$ 14,408,000	\$ 12,500,000
Miscellaneous Revenue Anticipated	45,910,539	60,566,898
Receipts from Delinquent Taxes	174,084	262,811
Receipts from Current Taxes	190,628,621	185,598,102
Non-Budget Revenues	4,604,880	1,070,721
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	1,805,726	1,362,216
Cancellation of Tax Overpayments	1,808,371	-
Prior Year Revenue Accounts Receivable Realized	1,120,785	1,026,285
Prior Year Interfunds Returned	800,297	80,332
Grant Reserves Cancelled	85,443	219,196
Miscellaneous Adjustments	36,552	30,535
Write off Old Outstanding Checks	35,947	-
Dog License Trust Fund Statutory Excess	-	11,490
	<u>261,419,245</u>	<u>262,728,586</u>
<u>Expenditures</u>		
Budgetary and Emergency Appropriations:		
Appropriations within "CAPS"		
Operations		
Salaries and Wages	59,212,977	59,317,700
Other Expenses	33,897,848	35,051,156
Statutory Expenditures	17,538,052	16,053,800
Appropriations Excluded from "CAPS"		
Operations		
Salaries and Wages	-	200,972
Other Expenses	16,793,283	4,789,251
Capital Improvements	1,100,000	100,000
Municipal Debt Service	13,580,650	12,311,801
Deferred Charges	43,430	43,430
Type 1 School District Debt	10,520,043	10,621,506
Reserve for Uncollected Taxes	1,676,212	1,740,000
	<u>154,362,495</u>	<u>140,229,616</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 (Unaudited) AND 2018 (Audited)**

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

	2019 (Unaudited)	2018 (Audited)
<u>Expenditures (Continued)</u>		
County Tax	\$ 28,073,148	\$ 27,023,585
Local District School Tax	68,688,020	67,356,978
Special Improvement District Tax	290,000	290,000
Interfunds Advanced Originating in Current Year	16	800,297
Revenue Account Receivables Reserved	2,466,185	1,120,785
Other Receivables Reserved	398,815	-
Grants Receivable Cancelled	80,443	224,783
	<u>254,359,122</u>	<u>237,046,044</u>
Excess in Revenue	7,060,123	25,682,542
Adjustments to Income before Fund Balance:		
Expenditures Included Above Which are by Statute		
Deferred Charges to Budget of Succeeding Year		
Special Emergency Appropriations		
Tax Maps	<u>747,890</u>	<u>-</u>
Statutory Excess to Fund Balance	7,808,013	25,682,542
Fund Balance, January 1	<u>28,593,921</u>	<u>15,411,379</u>
	36,401,934	41,093,921
Decreased by:		
Utilized as Anticipated Revenue	<u>14,408,000</u>	<u>12,500,000</u>
Fund Balance, December 31	<u><u>\$ 21,993,934</u></u>	<u><u>\$ 28,593,921</u></u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (Unaudited)**

STATEMENT OF REVENUES

	Adopted Budget	N.J.S.A. 40A:4-87	Realized	Excess or (Deficit)
<u>SURPLUS:</u>				
Surplus Anticipated	\$ 14,408,000	\$ -	\$ 14,408,000	\$ -
<u>MISCELLANEOUS REVENUES:</u>				
LOCAL REVENUES				
Licenses:				
Alcoholic Beverage	74,400	-	78,164	3,764
Other	171,200	-	154,623	(16,577)
Fees and Permits	1,479,450	-	1,080,251	(399,199)
Fines and Costs - Municipal Court	2,138,500	-	2,229,266	90,766
Interest and Costs on Taxes	372,800	-	431,710	58,910
Interest on Investments and Deposits	84,000	-	108,208	24,208
Rents - City Owned Property	153,495	-	135,981	(17,514)
Verizon Franchise Fee	300,960	-	287,717	(13,243)
Payments in Lieu of Taxes:				
Bayonne Housing Authority	312,590	-	894,763	582,173
Senior Horizons of Bayonne	49,889	-	51,475	1,586
Southshore Village Housing/Post Road Gardens	54,850	-	54,850	-
Costco	250,000	-	250,000	-
Barnabas Bayonne	346,498	-	614,173	267,675
Alexan City View	1,065,378	-	1,055,639	(9,739)
Platty Kill Manor	180,000	-	210,000	30,000
Bayonne CommunityAction	10,911	-	12,158	1,247
Bayonne Energy Cener Urban Renewal I	1,588,445	-	1,131,767	(456,678)
Bayonne Energy Cener Urban Renewal II	514,675	-	381,361	(133,314)
Prince Holdings	310,000	-	310,000	-
195 East 22nd Street Urban Renewal	60,000	-	22,236	(37,764)
Silklofts	193,800	-	197,676	3,876
Tagliareni Building	23,648	-	24,558	910
Port Authority	103,766	-	103,766	-
Port Authority/Workbench	402,240	-	402,240	-
Port Authority/Global Auto Marine Terminal	1,106,469	-	1,106,469	-
Port Authority of New York & New Jersey	368,653	-	368,653	-
Five Year PILOTS	540,568	-	603,793	63,225
	<u>12,257,185</u>	<u>-</u>	<u>12,301,497</u>	<u>44,312</u>
STATE AID WITHOUT OFFSETTING APPROPRIATIONS				
Consolidated Municipal Property Tax Relief Act	1,214,873	-	1,214,873	-
Energy Receipts Tax (PL 1997, Ch. 162 & 167)	7,614,928	-	7,614,928	-
	<u>8,829,801</u>	<u>-</u>	<u>8,829,801</u>	<u>-</u>
SHARED SERVICE AGREEMENTS				
Bayonne BOE Garbage Removal Contract	52,000	-	52,000	-
	<u>52,000</u>	<u>-</u>	<u>52,000</u>	<u>-</u>
PUBLIC AND PRIVATE REVENUES				
Emergency Management Assistance	10,000	10,000	20,000	-
Cooperative Marketing Grant	9,300	-	9,300	-
Congregate Meals Program	393,028	88,500	481,528	-
Custom Border Patrol	56,593	-	56,593	-
Municipal Alliance Grant	54,448	-	54,448	-
Older American Act of 1965 Title III	48,461	49,317	97,778	-
Recreation Opportunities for Individuals with Disabilities	-	20,000	20,000	-
Police Overtime - DMV	97,875	-	97,875	-
Drunk Driving Enforcement Fund	4,493	-	4,493	-

See Independent Accountant's Compilation Report

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (Unaudited)**

STATEMENT OF REVENUES

	Adopted Budget	N.J.S.A. 40A:4-87	Realized	Excess or (Deficit)
PUBLIC AND PRIVATE REVENUES (continued)				
Body Armor Fund	\$ -	\$ 16,364	\$ 16,364	\$ -
State Local Housing Inspection Program	26,354	52,500	78,854	-
UASI Grant CY2019	-	110,204	110,204	-
UASI Training Fire Department	8,825	-	8,825	-
Recycling Tonnage Grant	99,119	-	99,119	-
Pedestrian Safety Grant	30,000	-	30,000	-
Drive Sober Holiday Crackdown	5,500	-	5,500	-
Drive Sober Or Get Pulled Over	-	5,500	5,500	-
Distracted Driving Statewide Crackdown Gran	-	5,500	5,500	-
GTC Bayonne - Donation Fire	72,763	-	72,763	-
Municipal Aid Program	840,760	-	840,760	-
Local Freight Impact Fund (LFIF)	-	6,350,000	6,350,000	-
Port Security Grant	-	18,750	18,750	-
Port Authority Grant	-	2,000,000	2,000,000	-
Safe Streets Grant	-	205,000	205,000	-
Clean Communities Grant	-	98,761	98,761	-
Multi Park Green Acres Grant	-	1,000,000	1,000,000	-
Green Acres Grant Program	-	1,000,000	1,000,000	-
Green Acres Program - ONRR Grant	-	900,013	900,013	-
Hazardous Discharges Site Remediation Fund	-	52,566	52,566	-
Open Space Grant - 28th Street Park	-	250,000	250,000	-
Open Space Grant - Russell Golding Park	-	500,000	500,000	-
	<u>1,757,519</u>	<u>12,732,975</u>	<u>14,490,494</u>	<u>-</u>
OTHER SPECIAL ITEMS				
Uniform Fire Safety Act	239,575	-	134,982	(104,593)
PVSC Municipal Rebate Incentive Program	40,745	-	40,745	-
Debt Service Reimbursement - Bayonne BOE	42,500	-	42,500	-
Royal Caribbean Cruise Port	2,399,874	-	996,400	(1,403,474)
Debt Service Reimbursement - Empire Golf	310,000	-	310,000	-
Indirect Cost Reimbursement - UCC	257,462	-	257,462	-
Uniform Fire Code Inspection Fees	138,675	-	135,926	(2,749)
Parking Tax	892,605	-	949,399	56,794
Spectra Energy	1,815,405	-	1,805,553	(9,852)
Port Authority Land Payment	5,000,000	-	5,000,000	-
Reimbursement City Wide Communications System	5,890	-	9,988	4,098
BMUA Expense Reimbursement	444,170	-	553,792	109,622
	<u>11,586,901</u>	<u>-</u>	<u>10,236,747</u>	<u>(1,350,154)</u>
Total Miscellaneous Revenues	<u>34,483,406</u>	<u>12,732,975</u>	<u>45,910,539</u>	<u>(1,305,842)</u>
RECEIPTS FROM DELINQUENT TAXES:	<u>272,785</u>	<u>-</u>	<u>174,084</u>	<u>(98,701)</u>
Subtotal - General Revenues	<u>\$ 49,164,191</u>	<u>\$ 12,732,975</u>	<u>\$ 60,492,623</u>	<u>\$ (1,404,543)</u>
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET:				
Local Tax Incl. Reserve for Uncollected Taxes	79,137,817	-	80,939,672	1,801,855
Minimum Library Tax	10,521,000	-	10,521,000	-
Addition to Local District School Tax	2,116,781	-	2,116,781	-
Total Amount to be Raised by Taxes	<u>91,775,598</u>	<u>-</u>	<u>93,577,453</u>	<u>1,801,855</u>
Total Budget Revenues	<u>140,939,789</u>	<u>12,732,975</u>	<u>154,070,076</u>	<u>397,312</u>
Non-Budget Revenues	<u>-</u>	<u>-</u>	<u>4,604,880</u>	<u>4,604,880</u>
Total General Revenues	<u>\$ 140,939,789</u>	<u>\$ 12,732,975</u>	<u>\$ 158,674,956</u>	<u>\$ 5,002,192</u>

See Independent Accountant's Compilation Report

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (Unaudited)**

**STATEMENT OF REVENUES -
ANALYSIS OF BUDGETED REVENUES**

Allocation of Current Tax Collections:

Current Year Taxes Collected in Prior Year	\$ 794,576	
Current Year Taxes Collected in Current Year	186,882,893	
Homestead Rebate	1,047,014	
State Share of Sr. Citizens' & Veterans' Deductions	227,926	
Current Taxes Realized in Cash		\$ 188,952,409
Add: Appropriation for "Reserve for Uncollected Taxes"		1,676,212
		<u>190,628,621</u>

Allocated to:

School Taxes	68,688,020	
County Taxes	28,073,148	
Special Improvement District Taxes	290,000	
Total Allocated to School, County and Special District Taxes		<u>97,051,168</u>
Amount for Support of Municipal Budget Appropriations		<u>93,577,453</u>

Receipts from Delinquent Taxes:

		<u>174,084</u>
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Miscellaneous Revenues Anticipated:

Accrual per Revenue Accounts Receivable	48,868,762	
State Aid	8,829,801	
State and Federal Grants	14,490,494	
Total Miscellaneous Revenues Anticipated		<u>45,910,539</u>

FUND BALANCE

		<u>14,408,000</u>
Total Realized Budget Revenues		<u>\$ 154,070,076</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (Unaudited)**

**STATEMENT OF REVENUES -
ANALYSIS OF NON-BUDGET REVENUES**

Miscellaneous Revenue not Anticipated:

Sale of Municipal Assets	\$ 2,610,000
Bayonne Developer Urban Renewal Pilot	950,000
Harbor Station North Pilot	403,750
Tax Levy Premium	356,001
160 E 22nd St. Ure Pilot	99,375
Winter Storm Jonas	44,859
Hurricane Florence	39,050
Miscellaneous	22,910
Reimbursement of Police Salaries	21,351
Vendor refunds	17,994
Hurricane Dorian	16,973
Pilot Initial deposits	10,000
Reimbursement of Fire Salaries	4,437
Homestead Rebate Mailing	2,726
Prisoner Forfeit Cash	1,346
NJ Turnpike- Fire S&W	1,080
Reimbursement of Public Works Salaries	960
Reimbursement of Fire Expenses	929
Restitution	416
Animal Cruelty Fines	362
LRA 2009 Debt Service	224
Cashier Unallocated	137
	<hr/>
	\$ 4,604,880
	<hr/>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (Unaudited)**

STATEMENT OF APPROPRIATIONS

	Appropriations		Expended			Cancelled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
(A) Operations - within "CAPS"						
Office of the Mayor						
Salaries and Wages	\$ 330,000	\$ 285,000	\$ 268,391	\$ -	\$ 16,609	\$ -
Other Expenses	14,000	14,000	8,734	721	4,545	-
Planning Board						
Other Expenses	45,000	45,000	15,580	3,048	26,372	-
Board of Adjustment						
Other Expenses	28,000	28,000	14,630	4,838	8,532	-
Alcohol Beverage Control						
Other Expenses	1,000	1,000	-	-	1,000	-
Environmental Commission						
Other Expenses (N.J.S.A. 40:56A-1)	1,000	1,000	-	-	1,000	-
Rent Control Office						
Salaries and Wages	15,000	15,000	7,722	-	7,278	-
Other Expenses	19,000	19,000	5,270	3,605	10,125	-
Planning and Zoning						
Salaries and Wages	447,000	417,000	402,617	-	14,383	-
Other Expenses	15,000	15,000	14,950	(8)	58	-
City Clerk & Municipal Council						
Municipal Council						
Salaries and Wages	168,000	169,000	166,641	-	2,359	-
Other Expenses	4,000	4,000	2,174	79	1,747	-
City Clerk's Office						
Salaries and Wages	331,000	353,500	350,303	-	3,197	-
Other Expenses	34,000	49,000	23,629	134	25,237	-
Primary, General & Municipal Elections						
Salaries and Wages	25,000	25,000	16,831	-	8,169	-
Other Expenses	53,000	53,000	49,143	-	3,857	-
Budget & Accounting Fees	89,000	89,000	75,000	-	14,000	-
Department of Administration						
Business Administrator's Office						
Salaries and Wages	560,000	560,000	551,603	-	8,397	-
Other Expenses	825,000	1,005,000	883,897	79,576	41,527	-
Finance Office						
Salaries and Wages	955,000	990,000	982,556	-	7,444	-
Other Expenses	75,000	85,000	69,539	9,781	5,680	-
Tax Assessor						
Salaries and Wages	356,000	326,000	310,744	-	15,256	-
Special Emergency: Revaluation	-	747,890	747,890	-	-	-
Collection of Taxes						
Salaries and Wages	262,000	273,000	272,336	-	664	-
Postage	90,000	100,000	89,323	-	10,677	-
Personnel Department						
Salaries and Wages	92,000	92,000	91,839	-	161	-
Bayonne Historical Commission						
Other Expenses	6,000	6,000	500	-	5,500	-
Law Department						
Salaries and Wages	722,000	692,000	680,273	-	11,727	-
Other Expenses	40,000	45,000	32,187	1,567	11,246	-
Contracts	160,000	160,000	86,608	28,392	45,000	-
Municipal Services Department						
Water/Sewer Division						
Salaries and Wages	250,000	215,000	208,825	-	6,175	-
Other Expenses	140,000	140,000	66,738	27,610	45,652	-
Board of Health						
Salaries and Wages	355,000	400,000	398,319	-	1,681	-
Other Expenses	331,388	331,388	277,204	54,184	-	-
Bayonne Health Center						
Other Expenses	4,000	4,000	-	-	4,000	-
Older American Program	256,000	256,000	254,327	1,673	-	-
Department of Public Safety						
Police - Uniform Personnel						
Salaries and Wages	21,525,000	21,525,000	20,565,560	-	959,440	-
Other Expenses	855,000	855,000	757,414	38,571	59,015	-
Police - Non-Uniform Personnel						
Salaries and Wages	3,200,000	3,200,000	3,150,660	-	49,340	-
Other Expenses	12,000	12,000	3,283	-	8,717	-

See Independent Accountant's Compilation Report

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (Unaudited)**

STATEMENT OF APPROPRIATIONS

	Appropriations		Expended			Cancelled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
Fire - Non-Uniform Personnel						
Salaries and Wages	\$ 200,000	\$ 181,500	\$ 158,357	\$ -	\$ 23,143	\$ -
Other Expenses	445,000	455,000	408,745	40,072	6,183	-
Fire - Uniform Personnel						
Salaries and Wages	20,589,977	20,589,977	20,126,397	-	463,580	-
Uniform Fire Safety Act	115,070	115,070	115,070	-	-	-
Prosecutor's Office						
Other Expenses	70,000	70,000	58,500	11,400	100	-
Department of Public Works						
Streets and Road Maintenance						
Salaries and Wages	850,000	911,000	906,308	-	4,692	-
Other Expenses	220,000	240,000	200,868	37,866	1,266	-
Snow Removal						
Salaries and Wages	105,000	105,000	76,483	-	28,517	-
Other Expenses	110,000	110,000	62,254	6,195	41,551	-
Other Public Works						
Salaries and Wages	457,000	462,000	440,476	-	21,524	-
Other Expenses	300,000	300,000	243,526	56,145	329	-
Buildings and Grounds						
Salaries and Wages	1,100,000	1,030,000	999,641	-	30,359	-
Other Expenses	280,000	375,000	265,881	24,936	84,183	-
Vehicle Maintenance						
Salaries and Wages	625,000	632,000	617,895	-	14,105	-
Other Expenses	495,000	495,000	392,170	61,112	41,718	-
Swimming Pool						
Salaries and Wages	133,000	133,000	119,779	-	13,221	-
Other Expenses	48,000	48,000	44,934	2,007	1,059	-
Parks & Playgrounds - Recreational						
Salaries and Wages	1,435,000	1,322,000	1,292,303	-	29,697	-
Other Expenses	135,000	135,000	100,040	584	34,376	-
Maintenance of Parks						
Salaries and Wages	3,200,000	3,277,000	3,268,345	-	8,655	-
Other Expenses	100,000	100,000	69,352	11,747	18,901	-
Municipal Court						
Salaries and Wages	1,053,000	1,032,000	985,632	-	46,368	-
Other Expenses	80,000	101,000	81,297	1,690	18,013	-
Public Defender						
Other Expenses	70,000	81,000	72,867	5,833	2,300	-
Insurance:						
General Liability / Workers Compensation	2,750,000	2,500,000	1,940,000	210,000	350,000	-
Employee Group Health	14,950,000	14,950,000	13,624,829	-	1,325,171	-
Group Insurance Waiver Costs	111,000	112,000	111,000	-	1,000	-
Unclassified:						
Solid Waste Disposal	4,205,000	4,205,000	3,548,069	431,000	225,931	-
Solid Waste Collection	2,755,000	2,755,000	2,504,584	227,000	23,416	-
Gasoline, Oil, Grease, Etc.	358,000	358,000	280,790	113	77,097	-
Telephone Expenses	145,000	145,000	134,221	349	10,430	-
Utilities	1,600,000	1,600,000	1,438,518	13,851	147,631	-
Celebration of Public Holidays	44,000	44,000	44,000	-	-	-
Ground Restoration Funds	-	-	-	-	-	-
Reserve for Tax Appeals	500,000	500,000	-	-	500,000	-
Bulk Levy Sale Expenses	15,000	15,000	8,062	-	6,938	-
Bayonne Economic Opportunity Foundation	22,500	22,500	22,500	-	-	-
(B) Contingent	1,000	1,000	-	-	1,000	-
	<u>92,362,935</u>	<u>93,110,825</u>	<u>86,666,933</u>	<u>1,395,671</u>	<u>5,048,221</u>	<u>-</u>
Detail:						
Salaries and Wages	59,340,977	59,212,977	57,416,836	-	1,796,141	-
Other Expenses	33,021,958	33,897,848	29,250,097	1,395,671	3,252,080	-

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (Unaudited)**

STATEMENT OF APPROPRIATIONS

	Appropriations		Expended			Cancelled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
(E) Deferred Charges & Statutory Expenditures within "CAPS"						
<u>(2) STATUTORY EXPENDITURES</u>						
Contribution to:						
Public Employees Retirement System	\$ 2,473,727	\$ 2,473,727	\$ 2,403,589	\$ -	\$ 70,138	\$ -
Social Security System (O.A.S.I.)	2,025,000	2,025,000	1,923,414	-	101,586	-
Consolidated Police & Firemen's Pension Fund	20,000	20,000	19,037	-	963	-
Police & Fire Retirement System of NJ	12,922,325	12,922,325	12,922,325	-	-	-
Unemployment Insurance	24,000	24,000	24,000	-	-	-
Defined Contribution Retirement Program	45,000	45,000	28,145	-	16,855	-
Pensioners & Widow(er)s	28,000	28,000	26,365	-	1,635	-
	<u>17,538,052</u>	<u>17,538,052</u>	<u>17,346,875</u>	<u>-</u>	<u>191,177</u>	<u>-</u>
(H-1) TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	<u>109,900,987</u>	<u>110,648,877</u>	<u>104,013,808</u>	<u>1,395,671</u>	<u>5,239,398</u>	<u>-</u>
(A) Operations - Excluded From "CAPS"						
<u>GENERAL GOVERNMENT</u>						
Free Public Library	2,116,781	2,116,781	1,955,588	38,391	122,802	-
	<u>2,116,781</u>	<u>2,116,781</u>	<u>1,955,588</u>	<u>38,391</u>	<u>122,802</u>	<u>-</u>
<u>SHARED SERVICE AGREEMENTS</u>						
Bayonne BOE Garbage Removal Contract	52,000	52,000	-	-	52,000	-
	<u>52,000</u>	<u>52,000</u>	<u>-</u>	<u>-</u>	<u>52,000</u>	<u>-</u>
<u>PUBLIC AND PRIVATE APPROPRIATIONS</u>						
<u>OFFSET BY REVENUES</u>						
Emergency Management Assistance	20,023	20,023	20,023	-	-	-
Emergency Management Assistance	-	10,000	10,000	-	-	-
Cooperative Marketing Grant	9,300	9,300	9,300	-	-	-
Congregate Meals Program	491,286	579,786	579,786	-	-	-
Custom Border Patrol	56,593	56,593	56,593	-	-	-
Municipal Alliance Grant	68,060	68,060	68,060	-	-	-
Older American Act of 1965 Title III	60,576	109,893	109,893	-	-	-
Recreation Opportunities for Individuals with Disabilities	-	20,000	20,000	-	-	-
Police Overtime - DMV	97,875	97,875	97,875	-	-	-
Drunk Driving Enforcement Fund	4,493	4,493	4,493	-	-	-
Body Armor Fund	-	16,364	16,364	-	-	-
State Local Housing Inspection Program	26,354	78,854	78,854	-	-	-
UASI Grant CY2019	-	110,204	110,204	-	-	-
UASI Training Fire Department	8,825	8,825	8,825	-	-	-
Recycling Tonnage Grant	99,119	99,119	99,119	-	-	-
Pedestrian Safety Grant	30,000	30,000	30,000	-	-	-
Drive Sober Holiday Crackdown	5,500	5,500	5,500	-	-	-
Drive Sober Or Get Pulled Over	-	5,500	5,500	-	-	-
Distracted Driving Statewide Crackdown Gran	-	5,500	5,500	-	-	-
GTC Bayonne - Donation Fire	72,763	72,763	72,763	-	-	-
Municipal Aid Program	840,760	840,760	840,760	-	-	-
Local Freight Impact Fund (LFIF)	-	6,350,000	6,350,000	-	-	-
Port Security Grant	-	18,750	18,750	-	-	-
Port Authority Grant	-	2,000,000	2,000,000	-	-	-
Safe Streets Grant	-	205,000	205,000	-	-	-
Clean Communities Grant	-	98,761	98,761	-	-	-
Multi Park Green Acres Grant	-	1,000,000	1,000,000	-	-	-
Green Acres Grant Program	-	1,000,000	1,000,000	-	-	-
Green Acres Program - ONRR Grant	-	900,013	900,013	-	-	-
Hazardous Discharges Site Remediation Fund	-	52,566	52,566	-	-	-
Open Space Grant - 28th Street Park	-	250,000	250,000	-	-	-
Open Space Grant - Russell Golding Park	-	500,000	500,000	-	-	-
	<u>1,891,527</u>	<u>14,624,502</u>	<u>14,624,502</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operations - Excluded from "CAPS"	<u>4,060,308</u>	<u>16,793,283</u>	<u>16,580,090</u>	<u>38,391</u>	<u>174,802</u>	<u>-</u>
Detail:						
Other Expenses	4,060,308	16,793,283	16,580,090	38,391	174,802	-
(C) Capital Improvements- Excluded From "CAPS"						
Capital Improvement Fund	1,100,000	1,100,000	1,100,000	-	-	-
	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

**CITY OF BAYONNE
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (Unaudited)**

STATEMENT OF APPROPRIATIONS

	Appropriations		Expended			Cancelled
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
(D) Municipal Debt Service						
Bond Principal	\$ 3,831,000	\$ 3,831,000	\$ 3,824,746	\$ -	\$ -	\$ 6,254
Bond Anticipation and Capital Notes	1,352,000	1,352,000	1,352,000	-	-	-
Interest on Bonds	6,602,000	6,602,000	6,592,345	-	-	9,655
Interest on Notes	1,144,000	1,144,000	1,102,707	-	-	41,293
Green Trust Loan Program						
Loan Repayments for Principal and Interest	16,852	16,852	16,852	-	-	-
Capital Lease Obligations	692,000	692,000	692,000	-	-	-
	<u>13,637,852</u>	<u>13,637,852</u>	<u>13,580,650</u>	<u>-</u>	<u>-</u>	<u>57,202</u>
(E) Deferred Charges						
Special Emergency Authorizations						
5 Year - Emergency for Tax Maps	43,430	43,430	43,430	-	-	-
	<u>43,430</u>	<u>43,430</u>	<u>43,430</u>	<u>-</u>	<u>-</u>	<u>-</u>
(H-2) TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES - EXCLUDED FROM "CAPS"	<u>18,841,590</u>	<u>31,574,565</u>	<u>31,304,170</u>	<u>38,391</u>	<u>174,802</u>	<u>57,202</u>
(I) Local District School Purposes - Excluded from "CAPS"						
<u>TYPE 1 DISTRICT SCHOOL DEBT</u>						
Payment of Bond Principal	6,796,000	6,796,000	6,795,597	-	-	403
Interest on Bonds	3,725,000	3,725,000	3,724,446	-	-	554
	<u>10,521,000</u>	<u>10,521,000</u>	<u>10,520,043</u>	<u>-</u>	<u>-</u>	<u>957</u>
(O) TOTAL GENERAL APPROPRIATIONS - EXCLUDED FROM "CAPS"	<u>29,362,590</u>	<u>42,095,565</u>	<u>41,824,213</u>	<u>38,391</u>	<u>174,802</u>	<u>58,159</u>
(L) Subtotal General Appropriations	139,263,577	152,744,442	145,838,021	1,434,062	5,414,200	58,159
(M) Reserve for Uncollected Taxes	<u>1,676,212</u>	<u>1,676,212</u>	<u>1,676,212</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS	<u>\$ 140,939,789</u>	<u>\$ 154,420,654</u>	<u>\$ 147,514,233</u>	<u>\$ 1,434,062</u>	<u>\$ 5,414,200</u>	<u>\$ 58,159</u>
Budget As Adopted		\$ 140,939,789				
Added by N.J.S.A. 40A:4-87		12,732,975				
Special Emergency		<u>747,890</u>				
		154,420,654				
Less: Appropriations Cancelled		<u>58,159</u>				
		<u>\$ 154,362,495</u>				
Reserve for Uncollected Taxes			\$ 1,676,212			
Reimbursed from Trust Fund			(98,007)			
Cash Receipts			(257,920)			
Unemployment Appropriation - Trust Fund			24,000			
Reserve for Tax Appeals			-			
Deferred Charges			43,430			
Qualified Bonds Paid by State			7,143,589			
Capital Improvement Fund			1,100,000			
State and Federal Grants - Matching Funds			134,008			
State and Federal Grants			14,490,494			
Cash Disbursements			<u>123,258,427</u>			
Subtotal: General Appropriations Budgeted and Paid or Charged			<u>\$ 147,514,233</u>			

CITY OF BAYONNE
TRUST FUND
AS OF DECEMBER 31, 2019 (Unaudited) AND 2018 (Audited)
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	2019 (Unaudited)	2018 (Audited)
<u>Assets</u>		
Animal Control Fund:		
Cash and Cash Equivalents	\$ 46,867	\$ 60,481
Insurance Fund:		
Cash and Cash Equivalents	1,122,227	880,037
Tax Lien Redemption Fund:		
Cash and Cash Equivalents	247,620	282,229
Interfunds Receivable	5,788	-
	<u>253,408</u>	<u>282,229</u>
Housing and Urban Development Fund:		
Cash and Cash Equivalents	28,442	3,850
Grants Receivable	1,155,788	2,664,167
	<u>1,184,230</u>	<u>2,668,017</u>
Other Trust Fund:		
Cash and Cash Equivalents	13,523,336	15,015,775
Interfunds Receivable	97,910	-
	<u>13,621,246</u>	<u>15,015,775</u>
Total Assets	<u>\$ 16,227,978</u>	<u>\$ 18,906,539</u>

CITY OF BAYONNE
TRUST FUND
AS OF DECEMBER 31, 2019 (Unaudited) AND 2018 (Audited)
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	2019 (Unaudited)	2018 (Audited)
<u>Liabilities, Reserves and Fund Balance</u>		
Animal Control Fund:		
Interfunds Payable	\$ -	\$ 28,392
Due to State of New Jersey	513	513
Reserve for Dog Fund Expenditures	46,354	31,576
	<u>46,867</u>	<u>60,481</u>
Insurance Fund:		
Interfunds Payable	16	-
Reserve for Insurance Fund Expenditures	1,122,211	880,037
	<u>1,122,227</u>	<u>880,037</u>
Tax Lien Redemption Fund:		
Reserve for Tax Lien Redemption Fund Expenditures	<u>253,408</u>	<u>282,229</u>
Housing and Urban Development Fund:		
Interfunds Payable	-	163,400
Reserve for Grant Expenditures	1,184,230	2,493,417
	<u>1,184,230</u>	<u>2,656,817</u>
Other Trust Fund:		
Interfunds Payable	39,924	597,812
Due to State of New Jersey	49,412	61,720
Accounts Payable	112,406	108,213
Reserve for Other Expenditures	13,419,504	14,248,030
	<u>13,621,246</u>	<u>15,015,775</u>
Total Liabilities and Reserves	<u>\$ 16,227,978</u>	<u>\$ 18,895,339</u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2019 (Unaudited) AND 2018 (Audited)
COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

	2019 (Unaudited)	2018 (Audited)
<u>Assets</u>		
Cash and Cash Equivalents	\$ 3,513,428	\$ 2,262,319
Restricted Cash	202,745	202,745
Total Cash and Cash Equivalents	<u>3,716,173</u>	<u>2,465,064</u>
Grants Receivable	1,900,259	2,150,259
Developer's Contribution Receivable	333,000	333,000
Due from Current Fund	2,385,656	91,883
Deferred Charges to Future Taxation:		
Funded	172,954,741	183,595,105
Unfunded	<u>64,202,694</u>	<u>58,173,746</u>
Total Assets	<u><u>\$ 245,492,523</u></u>	<u><u>\$ 246,809,057</u></u>
<u>Liabilities, Reserves and Fund Balance</u>		
General Serial Bonds Payable	\$ 123,562,736	\$ 127,392,916
School Serial Bonds Payable	49,035,158	55,830,755
Capital Appreciation Bonds Payable	254,610	254,610
Green Trust Loan Payable	102,237	116,824
Bond Anticipation Notes Payable	39,072,000	35,949,000
Improvement Authorizations:		
Funded	508,152	388,632
Unfunded	28,061,219	21,642,056
Contracts Payable	507,910	3,320,785
Capital Improvement Fund	450,120	19,172
Reserve for Capital Improvements-Veteran's Stadium	25,000	25,000
Reserve for Debt Service-BMUA	202,745	202,745
Reserve for Debt Service-BLRA	1,189,106	1,194,564
Reserve for Debt Service	497,046	257,171
Reserve for Dennis P. Collins Park	1,130,000	-
Reserve for Debt Service	<u>300,000</u>	<u>-</u>
	244,898,039	246,594,230
Fund Balance	<u>594,484</u>	<u>214,827</u>
Total Liabilities, Reserves and Fund Balance	<u><u>\$ 245,492,523</u></u>	<u><u>\$ 246,809,057</u></u>
Bonds and Notes Authorized But Not Issued	<u><u>\$ 25,130,694</u></u>	<u><u>\$ 22,224,744</u></u>

**CITY OF BAYONNE
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (Unaudited)**

STATEMENT OF FUND BALANCE

Balance: December 31, 2018		\$	214,827
Increased by:			
Premium on Sale of Notes	\$	124,931	
Closeout of BLRA Escrow		249,505	
Other		<u>5,221</u>	
			<u>379,657</u>
Balance: December 31, 2019		\$	<u><u>594,484</u></u>

See Independent Accountant's Compilation Report

**CITY OF BAYONNE
PARKING UTILITY FUND
AS OF DECEMBER 31, 2019 (Unaudited) AND 2018 (Audited)**

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	2019 (Unaudited)	2018 (Audited)
<u>Assets</u>		
Operating Fund:		
Cash and Cash Equivalents	\$ 514,052	\$ 601,613
Due from Current Fund	98	-
Due from Parking Utility Capital Fund	799	3,577
Total Utility Operating Fund Assets	<u>514,949</u>	<u>605,190</u>
Capital Fund:		
Cash and Cash Equivalents	942,716	973,543
Fixed Capital	5,354,861	5,354,861
Fixed Capital Authorized and Uncompleted	1,109,965	1,109,965
Total Utility Capital Fund Assets	<u>7,407,542</u>	<u>7,438,369</u>
Total Utility Fund Assets	<u><u>\$ 7,922,491</u></u>	<u><u>\$ 8,043,559</u></u>

CITY OF BAYONNE
PARKING UTILITY FUND
AS OF DECEMBER 31, 2019 (Unaudited) AND 2018 (Audited)

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	2019 (Unaudited)	2018 (Audited)
<u>Liabilities, Reserves and Fund Balance</u>		
Operating Fund:		
Appropriation Reserves	\$ 114,216	\$ 79,758
Reserve for Encumbrances	763	1,056
Reserve for Debt Service	9,790	9,511
Accrued Interest on Bonds	38,417	41,916
Due to Current Fund	-	10,693
	<u>163,186</u>	<u>142,934</u>
Fund Balance	<u>351,763</u>	<u>462,256</u>
Total Utility Operating Fund Liabilities, Reserves and Fund Balance	<u>514,949</u>	<u>605,190</u>
Capital Fund:		
Due to Parking Utility Operating Fund	799	3,577
Improvement Authorizations	31,392	109,441
Reserve for Amortization	3,314,861	3,104,861
Reserve for Deferred Amortization	1,109,965	1,109,965
Due to Bayonne Board of Education	450,000	450,000
Parking Revenue Serial Bonds Payable	2,040,000	2,250,000
Bond Reserve Fund	335,518	335,518
Capital Improvement Fund	125,000	75,000
	<u>7,407,535</u>	<u>7,438,362</u>
Fund Balance	<u>7</u>	<u>7</u>
Total Utility Capital Fund Liabilities, Reserves and Fund Balance	<u>7,407,542</u>	<u>7,438,369</u>
Total Utility Fund Liabilities, Reserves and Fund Balance	<u><u>\$ 7,922,491</u></u>	<u><u>\$ 8,043,559</u></u>

CITY OF BAYONNE
PARKING UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 (Unaudited) AND 2018 (Audited)

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

	2019 (Unaudited)	2018 (Audited)
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 191,100	\$ 252,000
Miscellaneous Revenue Anticipated	1,461,342	1,465,082
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	70,265	98,103
	<u>1,722,707</u>	<u>1,815,185</u>
<u>Expenditures</u>		
Budget Appropriations:		
Operating	1,130,000	1,100,000
Capital Improvements	50,000	50,000
Debt Service	307,100	307,992
Statutory Expenditures	155,000	153,000
	<u>1,642,100</u>	<u>1,610,992</u>
Statutory Excess to Fund Balance	80,607	204,193
Fund Balance, January 1	462,256	510,063
	<u>542,863</u>	<u>714,256</u>
Decreased by:		
Utilized as Anticipated Revenue	191,100	252,000
Fund Balance, December 31	<u>\$ 351,763</u>	<u>\$ 462,256</u>

**CITY OF BAYONNE
PARKING UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (Unaudited)**

STATEMENT OF CHANGES IN FUND BALANCE

	2019 (Unaudited)	2018 (Audited)
Balance: December 31, 2018	\$ 7	\$ 7
Balance: December 31, 2019	\$ 7	\$ 7

**CITY OF BAYONNE
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (Unaudited)**

STATEMENT OF REVENUES

	Adopted Budget	Realized	Excess (Deficit)
Operating Surplus Anticipated	\$ 191,100	\$ 191,100	\$ -
Parking Fees	1,150,000	1,135,879	(14,121)
Ticket Revenues	295,000	316,341	21,341
Interest on Investments and Deposits	9,500	9,122	(378)
Total Budget Revenues	<u>1,454,500</u>	<u>1,461,342</u>	<u>6,842</u>
Total Parking Utility Revenues	<u>\$ 1,645,600</u>	<u>\$ 1,652,442</u>	<u>\$ 6,842</u>

CITY OF BAYONNE
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (Unaudited)

STATEMENT OF APPROPRIATIONS

	Appropriations		Expended			
	Adopted Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Cancelled
Operating:						
Salaries and Wages	\$ 780,000	\$ 780,000	\$ 765,643	\$ -	\$ 14,357	\$ -
Other Expenses	160,000	160,000	107,890	763	51,347	-
Group Insurance	130,000	130,000	90,431	-	39,569	-
Other Insurance	60,000	60,000	60,000	-	-	-
	<u>1,130,000</u>	<u>1,130,000</u>	<u>1,023,964</u>	<u>763</u>	<u>105,273</u>	<u>-</u>
Capital Improvements:						
Capital Improvement Fund	50,000	50,000	50,000	-	-	-
Debt Service:						
Bond Principal	210,000	210,000	210,000	-	-	-
Interest on Bonds	100,600	100,600	97,100	-	-	3,500
	<u>310,600</u>	<u>310,600</u>	<u>307,100</u>	<u>-</u>	<u>-</u>	<u>3,500</u>
Statutory Expenditures:						
Public Employees Retirement System	85,000	85,000	85,000	-	-	-
Social Security (O.A.S.I.)	65,000	65,000	56,057	-	8,943	-
Unemployment Compensation Insurance	5,000	5,000	5,000	-	-	-
	<u>155,000</u>	<u>155,000</u>	<u>146,057</u>	<u>-</u>	<u>8,943</u>	<u>-</u>
Total Parking Utility Appropriations	<u>\$ 1,645,600</u>	<u>\$ 1,645,600</u>	<u>\$ 1,527,121</u>	<u>\$ 763</u>	<u>\$ 114,216</u>	<u>\$ 3,500</u>

CITY OF BAYONNE

STATE OF NEW JERSEY

NEW JERSEY COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018



**DONOHUE, GIRONDA,
DORIA & TOMKINS, LLC**

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

Certified Public Accountants

Robert A. Gironda, CPA
Robert G. Doria, CPA (N.J. & N.Y.)
Frederick J. Tomkins, CPA, RMA
Matthew A. Donohue, CPA

310 Broadway
Bayonne, NJ 07002
(201) 437-9000
Fax: (201) 437-1432
E-Mail: dgd@dgdcpas.com

Linda P. Kish, CPA, RMA
Mark W. Bednarz, CPA, RMA
Jason R. Gironda, CPA
Mauricio Canto, CPA, RMA

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
Bayonne, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements – regulatory basis of the City of Bayonne, New Jersey (the “City”), which comprise the combined balance sheets – regulatory basis, of each fund and account group as of December 31, 2018 (with comparative totals as of December 31, 2017), the related statements of revenues, expenditures and changes in fund balance – regulatory basis, of the Current Fund, General Capital Fund and Parking Utility Operating and Capital Funds, for the year ended December 31, 2018 (with comparative totals for the year ended December 31, 2017), and the related statements of revenues, expenditures and changes in fund balance – regulatory basis – budget and actual, of the Current Fund and Parking Utility Operating Fund for the year ended December 31, 2018 (with comparative totals for the year ended December 31, 2017), and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note A, the financial statements are prepared by the City on the basis of the financial reporting provisions of the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Division.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2018 (with comparative totals as of December 31, 2017), or the changes in its financial position for the years then ended.

Basis for Qualified Opinion

As described in Note L, general fixed assets were not updated by the City in accordance with the requirements of the Division. General fixed asset balances remain on the books in the same amount as at December 31, 2016. The amount by which this departure would affect the City is not reasonably determinable, however it is presumed to be material.

Qualified Opinion on Regulatory Basis Accounting

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the comparative financial position – regulatory basis, of each fund of the City as of December 31, 2018 (with comparative totals as of December 31, 2017), and each fund's respective revenues, expenditures and changes in fund balance – regulatory basis, and revenues, expenditures and changes in fund balance – regulatory basis - budget and actual, for the years then ended, on the basis of the financial reporting provisions of the Division as described in Note A.

Emphasis of Matter Regarding One-Time Revenues

The City has relied on many one-time revenues and structural imbalance offsets to balance their budget. The City anticipates new ratables and payments in lieu of taxes will replace these sources in future years.

Other Matters

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. This information is not required by the financial reporting provisions of the Division as described in Note A, however, it is allowable under the Division's optional New Jersey Comprehensive Annual Financial Report (NJ-CAFR) reporting format. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



DONOHUE, GIRONDA, DORIA & TOMKINS, LLC
Certified Public Accountants



MAURICIO CANTO
Registered Municipal Accountant
No. 555

Bayonne, New Jersey
September 5, 2019

CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

This discussion and analysis of the financial performance of the City of Bayonne provides an overall review of the City's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the City's financial performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City uses accounting practices as prescribed by the State of New Jersey, Division of Local Government Services which defines the financial statements of a governmental unit to be presented on a modified accrual basis of accounting. The following financial statements offer financial information about the activities and operations of the City.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2018 and 2017 are as follows:

- Fund balance in the Current Fund was \$28,593,921 and \$15,411,379, respectively, as of December 31, 2018 and 2017. The City's Current Fund operations resulted in a net increase to fund balance of \$13,182,542 for the year ended December 31, 2018 and a net decrease to fund balance of \$11,782,964 for the year ended December 31, 2017. Part of the reason for such a increase in fund balance is sales of municipal owned lands was \$19,131,501 more than anticipated.
- Total realized revenues and credits to income to the City's Current Fund amounted to \$262,728,586 for the year ended December 31, 2018 and \$236,602,387 for the year ended December 31, 2017. Net of County, School and Special Improvement District taxes collected and non-revenue credits to income, realized revenues to the Current Fund amounted to \$165,327,969 for the year ended December 31, 2018 and \$141,705,524 for the year ended December 31, 2017.
- Budgeted Current Fund appropriations, net of cancellations, for the year ended December 31, 2018 and 2017 were \$140,314,153 and \$137,423,298, respectively. During the current year, appropriations that were not paid or charged and which remained from the adopted budget of the year ended December 31, 2017 lapsed to operations in the amount of \$1,362,216. Unexpended budget appropriations from the budget of the year ended December 31, 2018 will not lapse to operations until the year ended December 31, 2019, but are set aside in the current year as appropriation reserves in the amount of \$5,215,340.

CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

FINANCIAL HIGHLIGHTS (continued)

- Included in the budgeted, or anticipated, revenues for the year ended December 31, 2017 and 2016 is the amount to be raised by taxation in support of the municipal budget in the amounts of \$89,247,139 and \$86,764,298, respectively. In addition to the support of the local municipal budget, the City collected and was obligated to remit the following taxes to the appropriate agencies, as per the Hudson County Board of Taxation Abstract of Ratables and Taxes Added or Omitted for the year ended December 31, 2018 and 2017: local school district taxes in the amount of \$67,356,978 and \$64,644,844, respectively, County of Hudson taxes in the amount of \$27,023,585 and \$27,038,146, respectively and Special Improvement District taxes in the amount of \$290,000 each year.
- On January 1, 2012, the City added the Parking Utility Fund to the books and records of the City. Prior to this date, the entity operated as a separate corporate body named the Bayonne Parking Authority. Parking Utility Operating Fund balance at December 31, 2018 and 2017 was \$462,256 and \$510,063, respectively, an decrease of \$47,807 and \$148,224, respectively.
- During the year ended December 31, 2018, the City's Parking Utility Operating Fund realized total revenues of \$1,815,185, or \$1,465,082 net of non-revenue credits to income.
- Budgeted Parking Utility Operating Fund appropriations, net of cancellations, for the year ended December 31, 2018 and 2017 were \$1,610,992 and \$1,550,750, respectively. During the current year, appropriations that were not paid or charged and which remained from the adopted budget of the year ended December 31, 2017 lapsed to operations in the amount of \$98,103. Unexpended budget appropriations from the budget of the year ended December 31, 2018 will not lapse to operations until the year ended December 31, 2019, but are set aside in the current year as appropriation reserves in the amount of \$79,758.

CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

BASIC FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles and defines the financial statements of a governmental unit to be presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The City presents the financial statements listed in the table of contents which are required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, herein referred to as the “Division”, and which differ from the financial statements required by GAAP. A description of funds and basis of accounting, including differences as compared to GAAP, can be found in Note A of the Notes to Financial Statements.

FINANCIAL POSITION AS A WHOLE

The following table is a summary of the assets, liabilities, reserves and fund balance for all funds of the City for the year ended December 31, 2018 and 2017:

	Current Fund (incl. State & Fed Grant Fund)		Trust Fund		General Capital Fund		Parking Utility Fund (Combined Operating and Capital)	
	2018	2017	2018	2017	2018	2017	2018	2017
<u>Assets:</u>								
Cash and Cash Equivalents	\$ 44,008,590	\$ 31,606,889	\$ 16,242,372	\$ 14,044,041	\$ 2,465,064	\$ 2,572,489	\$ 1,575,156	\$ 1,486,887
Taxes and Liens Receivable	1,615,721	1,567,972	-	-	-	-	-	-
Property Acquired for Taxes at Assessed Valuation	6,473,400	6,482,400	-	-	-	-	-	-
Grants and Other								
Intergovernmental Receivables	7,078,065	7,582,558	2,652,967	2,221,773	2,675,142	3,264,731	3,577	-
Other Receivables	2,421,928	1,864,853	-	-	-	-	-	698,861
Unamortized Debt Issuance	-	-	-	-	-	-	-	-
Deferred Charges	277,959	419,541	-	-	241,768,851	238,123,558	-	-
Fixed Capital	-	-	-	-	-	-	5,354,861	5,354,861
Fixed Capital Authorized and Uncompleted	-	-	-	-	-	-	1,109,965	1,109,965
Total Assets	<u>\$ 61,875,663</u>	<u>\$ 49,524,213</u>	<u>\$ 18,895,339</u>	<u>\$ 16,265,814</u>	<u>\$ 246,909,057</u>	<u>\$ 243,960,778</u>	<u>\$ 8,043,559</u>	<u>\$ 8,650,574</u>
<u>Liabilities, Reserves and Fund Balance:</u>								
Bonds, Notes and Loans Payable	\$ -	\$ -	\$ -	\$ -	\$ 219,544,105	\$ 230,523,812	\$ 2,250,000	\$ 2,455,000
Other Liabilities and Special Funds	23,271,539	24,955,845	18,895,339	16,265,814	5,025,157	2,930,065	1,116,470	1,461,247
Improvement Authorizations	-	-	-	-	22,119,251	10,393,306	-	214,431
Reserve for Certain Receivables	10,010,203	9,156,989	-	-	-	-	-	-
Reserve for Amortization	-	-	-	-	-	-	3,104,861	2,899,861
Reserve for Deferred Amortization	-	-	-	-	-	-	1,109,965	1,109,963
Fund Balance	28,593,921	15,411,379	-	-	220,544	113,595	462,263	510,070
Total Liabilities, Reserves and Fund Balance	<u>\$ 61,875,663</u>	<u>\$ 49,524,213</u>	<u>\$ 18,895,339</u>	<u>\$ 16,265,814</u>	<u>\$ 246,909,057</u>	<u>\$ 243,960,778</u>	<u>\$ 8,043,559</u>	<u>\$ 8,650,572</u>
Bonds and Notes Authorized But Not Issued					<u>\$ 22,224,746</u>	<u>\$ 7,599,746</u>		

CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

FINANCIAL POSITION AS A WHOLE (continued)

In addition to the funds noted in the chart on the preceding page, the City maintains a separate accounting of fixed assets in accordance with accounting practices prescribed by the Division. As of December 31, 2018 and 2017 the City has fixed assets, recorded at historical cost, of \$292,437,764 and \$292,437,764, respectively. See Note L for more detail.

CURRENT FUND FINANCIAL ANALYSIS

Current Fund Expenditures and Charges by Function				
	Year Ended December 31,		Change Increase (Decrease)	
	2018	2017	Dollar	Percentage
General Government	\$ 32,218,355	\$ 31,040,248	\$ 1,178,107	3.8 %
Sanitation, Health and Welfare	6,987,000	6,882,000	105,000	1.5
Public Safety	47,272,070	46,395,400	876,670	1.9
Public Works, Parks and Recreation	9,889,000	9,850,000	39,000	0.4
Contingent, Deferred Charges & Statutory	16,053,800	15,055,920	997,880	6.6
Shared Service Agreements	142,000	142,000	-	0.0
Public and Private Programs	2,868,336	2,480,797	387,539	15.6
Other Special Items	25,749	75,948	(50,199)	(66.1)
Capital Improvements	100,000	20,000	80,000	400.0
Emergency Appropriations	-	217,150	(217,150)	100.0
Debt Service	22,933,307	23,563,835	(630,528)	(2.7)
Reserve for Uncollected Taxes	1,740,000	1,700,000	40,000	2.4
Total Budgeted Appropriations	140,229,617	137,423,298	2,806,319	2.0
Non-Budget Expenditures	2,145,865	1,114,063	1,031,802	92.6
Total Expenditures and Charges	<u>\$ 142,375,482</u>	<u>\$ 138,537,361</u>	<u>\$ 3,838,121</u>	2.8

Significant changes from the prior year, as identified above, are as follows:

- General government and public safety increased due to management decisions of the City.
- Statutory expenditures increased due to state mandated pension payments.

CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

CURRENT FUND FINANCIAL ANALYSIS (continued)

Current Fund Realized Revenues and Other Credits to Income by Source				
	Year Ended December 31,		Change Increase (Decrease)	
	2018	2017	Dollar	Percentage
Budgeted Operating Revenues:				
Fund Balance Utilized	\$ 12,500,000	\$ 17,875,000	\$ (5,375,000)	(30.1) %
Local Revenues	11,705,565	10,193,731	1,511,834	14.8
State Aid	8,829,801	8,829,801	-	0.0
Shared Service Agreements	52,000	142,000	(90,000)	(63.4)
Public and Private Programs	2,894,085	2,361,129	532,956	22.6
Other Special Items	37,085,448	10,927,897	26,157,551	239.4
Delinquent Taxes	262,811	121,478	141,333	116.3
Local Tax for Municipal Purposes	90,927,539	88,592,586	2,334,953	2.6
Subtotal	164,257,249	139,043,622	25,213,627	18.1
Non-Budget Revenues	1,070,721	2,661,902	(1,591,181)	(59.8)
Total Realized Revenues	165,327,970	141,705,524	23,622,446	
Other Credits to Income	1,367,838	977,333	390,505	40.0
Lapsed Appropriation Reserves	1,362,216	1,946,540	(584,324)	(30.0)
Total Realized Revenues and Other Credits to Income	<u>\$ 168,058,024</u>	<u>\$ 144,629,397</u>	<u>\$ 23,428,627</u>	16.2

Significant changes from the prior year, as identified above, are as follows:

- Fund Balance utilized decreased due to management decisions of the City.
- Other special items increased due to the City receiving \$25,181,501 in sales of municipal owned land in 2018.

CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

CURRENT FUND FINANCIAL ANALYSIS (continued)

A summary of the result of operations in the Current Fund, per the revenue and expenditure tables preceding, is as follows:

Results of Current Fund Operations	
Total Revenues	\$ 168,058,024
Less: Fund Balance Utilized as Budget Revenues	<u>12,500,000</u>
Total Revenues, Net of Fund Balance Utilized	155,558,024
Less: Total Expenditures and Charges	<u>142,375,482</u>
Results of Current Year Operations	13,182,542
Fund Balance at December 31, 2017	<u>15,411,379</u>
Fund Balance at December 31, 2018	<u><u>\$ 28,593,921</u></u>

ANALYSIS OF BUDGET VS. ACTUAL

The following table represents revenues anticipated and budgeted appropriations for the year ended December 31, 2018, as well as the actual results for all items budgeted. Non-budgeted revenues and expenditures are not included on the following table.

Comparison of Budget vs. Actual			
	Budgeted	Actual	Variance
Budgeted Appropriations:			
Operations within "CAPS"	\$ 110,422,656	\$ 105,391,313	\$ 5,031,343
Operations excluded from "CAPS"			
Other Operations	1,954,139	1,788,142	165,997
Shared Service Agreements	142,000	142,000	-
Public and Private Programs	2,894,084	2,876,084	18,000
Capital Improvements	100,000	100,000	-
Debt Service	23,017,843	22,933,307	84,536
Deferred Charges	43,430	43,430	-
Reserve for Uncollected Taxes	<u>1,740,000</u>	<u>1,740,000</u>	<u>-</u>
	\$ 140,314,152	\$ 135,014,276	\$ 5,299,876
Appropriations Cancelled	<u>84,536</u>	<u>-</u>	<u>84,536</u>
	<u><u>\$ 140,229,616</u></u>	<u><u>\$ 135,014,276</u></u>	<u><u>\$ 5,215,340</u></u> (1)

The item noted as "(1)" in the above budget table represent amounts "reserved", or budgeted appropriations that will be available for expenditure in 2019.

CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

ANALYSIS OF BUDGET VS. ACTUAL (continued)

Comparison of Budget vs. Actual			
	Budgeted	Actual	Variance
Anticipated Revenues:			
Fund Balance Utilized	\$ 12,500,000	\$ 12,500,000	\$ -
Miscellaneous Revenue Anticipated	38,540,687	60,566,898	22,026,211
Receipts from Delinquent Taxes	26,326	262,811	236,485
Local Tax for Municipal Purposes	89,247,139	90,927,539	1,680,400
Total Anticipated Revenues	<u>\$ 140,314,152</u>	<u>\$ 164,257,248</u>	<u>\$ 23,943,096</u>

Anticipated revenue collections exceeded amounts anticipated by \$23,943,096. Collections of current taxes exceeded budgeted amounts by \$1,680,400.

MUNICIPAL DEBT ADMINISTRATION

The following table summarizes the changes in capital debt for the year ending December 31, 2018:

	2018	2017
Debt Issued and Outstanding	\$ 221,244,105	\$ 232,978,812
Authorized but not Issued	<u>22,224,746</u>	<u>7,599,746</u>
Total Debt Issued and		
Authorized but not Issued	<u>\$ 243,468,851</u>	<u>\$ 240,578,558</u>

The City's outstanding debt consists of Bond Anticipation Notes of \$35,399,000, General Capital Bonds of \$127,392,916, School Bonds of \$55,830,755, Capital Appreciation Bonds of \$254,610, Parking Revenue Bonds of \$2,250,000, and Green Trust Loans of \$116,824. All such debt is described in further detail in Note D of the notes to financial statements.

The City did not have any Tax Anticipation Notes outstanding at December 31, 2018. This classification of debt does not affect the City's available Debt Margin.

**CITY OF BAYONNE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

MUNICIPAL DEBT ADMINISTRATION (continued)

In addition, the City still has on its books debt authorized but not issued of \$22,224,746. The purpose of these authorizations are for various purposes, including, school improvements and refunding bonds, demolition of unsafe buildings, various capital improvements and the dissolution of the BLRA.

COMPONENT UNITS

Had this report been prepared in conformity with GAAP, the financial statements of the Bayonne Housing Authority would have been discretely presented with the financial statements of the City, the primary government or oversight entity. These financial statements are prepared in accordance with accounting practices as prescribed by the Division and, accordingly, do not include the financial statements of its component units.

CONTACTING THE CITY'S CHIEF FINANCIAL OFFICER

This financial report is designed to provide the citizens and taxpayers of the City of Bayonne with a general overview of the City's finances and to demonstrate the City's accountability for the appropriations it budgets and grants, state aid and taxes levied that it receives. If you have any questions about this report or need additional information, you may contact the Chief Financial Officer at 630 Avenue C, Bayonne, New Jersey, 07002 or at (201) 858-6047.

CITY OF BAYONNE
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2017)

COMBINED BALANCE SHEETS - REGULATORY BASIS

	Current Fund	Federal and State Grants Fund	Trust Funds (1)	General Capital Fund	General Fixed Assets	Parking Utility Fund		Comparative Totals (Memorandum Only)	
						Operating	Capital	December 31, 2018	December 31, 2017
<u>Assets:</u>									
Cash and Cash Equivalents	\$ 44,008,590	\$ -	\$ 16,242,372	\$ 2,465,064	\$ -	\$ 601,613	\$ 973,543	\$ 64,291,182	\$ 49,710,306
Intergovernmental Receivables	2,443,267	-	-	-	-	-	-	2,443,267	2,355,290
Grants Receivable	-	3,834,501	2,652,967	2,483,259	-	-	-	8,970,727	10,709,566
Interfunds Receivable (Unreserved)	-	1,301,143	-	91,883	-	3,577	-	1,396,603	1,461,303
Receivables with Full Reserves:									
Delinquent Property Taxes	1,053,069	-	-	-	-	-	-	1,053,069	1,036,505
Tax Title Liens	562,652	-	-	-	-	-	-	562,652	531,467
Property Acquired for Taxes at Assessed Valuation	6,473,400	-	-	-	-	-	-	6,473,400	6,482,400
Revenue Accounts Receivable	1,120,785	-	-	-	-	-	-	1,120,785	1,026,285
Interfunds Receivable	800,297	-	-	-	-	-	-	800,297	80,332
Deferred Charges	277,959	-	-	241,768,851	-	-	-	242,046,810	238,543,099
Fixed Capital	-	-	-	-	-	-	5,354,861	5,354,861	5,354,861
Fixed Capital Authorized and Uncompleted	-	-	-	-	-	-	1,109,965	1,109,965	1,109,965
<u>Fixed Assets:</u>									
Land	-	-	-	-	166,394,147	-	-	166,394,147	166,394,147
Building	-	-	-	-	10,233,265	-	-	10,233,265	10,233,265
Improvements	-	-	-	-	93,129,774	-	-	93,129,774	93,129,774
Machinery, Equipment and Other	-	-	-	-	22,680,578	-	-	22,680,578	22,680,578
Total Assets	\$ 56,740,019	\$ 5,135,644	\$ 18,895,339	\$ 246,809,057	\$ 292,437,764	\$ 605,190	\$ 7,438,369	\$ 628,061,382	\$ 610,839,143

(1) Includes Animal Control Fund, Insurance Trust Fund, Tax Lien Redemption Fund, Housing and Urban Development Grant Fund and Other Trust Funds.

See Accompanying Notes to Financial Statements

CITY OF BAYONNE
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2017)

COMBINED BALANCE SHEETS - REGULATORY BASIS

	Current Fund	Federal and State Grants Fund	Trust Funds (1)	General Capital Fund	General Fixed Assets	Parking Utility Fund		Comparative Totals (Memorandum Only)	
						Operating	Capital	December 31, 2018	December 31, 2017
<u>Liabilities, Reserves and Fund Balance:</u>									
Current Liabilities and Reserves:									
Notes Payable	\$ -	\$ -	\$ -	\$ 35,949,000	\$ -	\$ -	-	\$ 35,949,000	\$ 57,800,000
Bonds Payable - Current Portion	-	-	-	10,625,777	-	-	210,000	10,835,777	9,970,596
Loans Payable - Current Portion	-	-	-	14,587	-	-	-	14,587	28,153
Prepaid Taxes and Overpayments	4,410,542	-	-	-	-	-	-	4,410,542	7,017,065
Contracts and Accounts Payable	305,934	-	108,213	3,320,785	-	-	-	3,734,932	1,619,956
Intergovernmental Payables:									
Bayonne Board of Education	-	-	-	-	-	-	450,000	450,000	450,000
State of New Jersey	65,756	-	62,233	-	-	-	-	127,989	136,664
Other Payables and Accruals	-	-	-	-	-	41,916	-	41,916	351,467
Taxes Payable:									
County of Hudson	183,864	-	-	-	-	-	-	183,864	193,479
Special Improvement Districts	630,091	-	-	-	-	-	-	630,091	515,404
Interfunds Payable	1,393,026	-	789,604	-	-	10,693	3,577	2,196,900	1,541,635
Appropriation Reserves	5,215,340	-	-	-	-	79,758	-	5,295,098	3,730,570
Improvement Authorizations	-	-	-	22,030,688	-	-	109,441	22,140,129	10,607,737
Reserve for:									
Encumbrances	935,042	523,441	-	-	-	1,056	-	1,459,539	2,223,893
Other Expenditures	4,996,300	-	15,441,872	1,698,652	-	9,511	410,518	22,556,853	20,703,078
Grant Expenditures	-	4,612,203	2,493,417	-	-	-	-	7,105,620	7,129,760
Receivables and Other Assets	10,010,203	-	-	-	-	-	-	10,010,203	9,156,989
Noncurrent Liabilities:									
Loans Payable	-	-	-	102,237	-	-	-	102,237	116,824
Bonds Payable	-	-	-	172,852,504	-	-	2,040,000	174,892,504	165,063,239
Total Liabilities and Reserves	28,146,098	5,135,644	18,895,339	246,594,230	-	142,934	3,223,536	302,137,781	298,356,509
Reserve for Amortization	-	-	-	-	-	-	3,104,861	3,104,861	2,899,861
Reserve for Deferred Amortization	-	-	-	-	-	-	1,109,965	1,109,965	1,109,965
Investments in Fixed Assets	-	-	-	-	292,437,764	-	-	292,437,764	292,437,764
Fund Balance	28,593,921	-	-	214,827	-	462,256	7	29,271,011	16,035,044
Total Liabilities, Reserves and Fund Balance	\$ 56,740,019	\$ 5,135,644	\$ 18,895,339	\$ 246,809,057	\$ 292,437,764	\$ 605,190	\$ 7,438,369	\$ 628,061,382	\$ 610,839,143
Bonds and Notes Authorized But Not Issued				\$ 22,224,746					\$ 7,599,746

(1) Includes Animal Control Fund, Insurance Trust Fund, Tax Lien Redemption Fund, Housing and Urban Development Grant Fund and Other Trust Funds.

See Accompanying Notes to Financial Statements

CITY OF BAYONNE
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- REGULATORY BASIS

	Current Fund		General Capital Fund		Operating		Parking Utility Fund		Capital	
	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Revenue and Other Income Realized										
Fund Balance Utilized	\$ 12,500,000	\$ 17,875,000	\$ -	\$ -	\$ 252,000	\$ 225,000	\$ -	\$ -	\$ -	\$ -
Miscellaneous Revenues Anticipated	60,566,898	32,454,558	-	-	1,465,082	1,385,954	-	-	-	-
Receipts from Delinquent Taxes	262,811	121,478	-	-	-	-	-	-	-	-
Receipts from Current Taxes	185,598,102	180,565,576	-	-	-	-	-	-	-	-
Non-Budget Revenues	1,070,721	2,661,902	-	-	-	-	-	-	-	-
Other Credits to Income:										
Unexpended Balance of Appropriation Reserves	1,362,216	1,946,540	-	-	-	-	-	-	-	-
Grant Appropriations Cancelled	219,196	-	-	-	-	-	-	-	-	-
Appropriations Cancelled	-	28,647	-	-	-	-	-	-	-	-
Prior Year Receivables Realized	1,026,285	931,785	-	-	-	-	-	-	-	-
Other Credits to Income	122,357	16,901	220,544	-	98,103	21,822	-	-	-	-
	262,728,586	236,602,387	220,544	-	1,815,185	1,632,776	-	-	-	-

Expenditures

Budget and Emergency Appropriations:

Operations:

Salaries and Wages	\$ 59,317,700	\$ 58,596,000	\$ -	\$ -	\$ 783,000	\$ 714,000	\$ -	\$ -
Other Expenses	35,051,156	33,977,500	-	-	317,000	352,000	-	-
Statutory Expenditures	16,053,800	15,055,920	-	-	153,000	145,000	-	-
Appropriations excluded from "CAP"								
Operations:								
Salaries and Wages	200,972	228,248	-	-	-	-	-	-
Other Expenses	4,789,251	4,498,945	-	-	-	-	-	-
Capital Improvements	100,000	20,000	-	-	50,000	25,000	-	-
Debt Service	22,933,307	23,563,835	-	-	307,992	320,000	-	-
Deferred Chages	43,430	-	-	-	-	-	-	-
Cash Deficit from Preceding Year								
Reserve for Uncollected Taxes	1,740,000	1,700,000	-	-	-	-	-	-
Special District Taxes	290,000	290,000	-	-	-	-	-	-

See Accompanying Notes to Financial Statements

CITY OF BAYONNE
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- REGULATORY BASIS

	Current Fund		General Capital Fund		Operating		Parking Utility Fund		Capital	
	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2018	Dec. 31, 2017
Expenditures (continued)										
County Taxes	\$ 26,839,721	\$ 26,844,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amount Due County for Added and Omitted Taxes	183,864	193,479	-	-	-	-	-	-	-	-
Local District School Tax	67,356,978	64,644,844	-	-	-	-	-	-	-	-
Interfund Advances	800,297	53,881	-	-	-	-	-	-	-	-
Refund of Prior Year Revenues	-	33,897	-	-	-	-	-	-	-	-
Revenue Accounts Receivable Reserved	1,120,785	1,026,285	-	-	-	-	-	-	-	-
Appropriated Grants Receivable Cancelled	224,783	-	-	-	-	-	-	-	-	-
Other Charges to Income	-	-	113,595	-	-	-	-	-	-	-
	<u>237,046,044</u>	<u>230,727,501</u>	<u>113,595</u>	<u>-</u>	<u>1,610,992</u>	<u>1,556,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess in Revenue	\$ 25,682,542	\$ 5,874,886	\$ 106,949	\$ -	\$ 204,193	\$ 76,776	\$ -	\$ -	\$ -	\$ -
Deficit in Revenue	-	-	-	-	-	-	-	-	-	-
Adjustments to Income before Fund Balance:										
Expenditures Included Above Which are by Statute	-	217,150	-	-	-	-	-	-	-	-
Deferred Charges to Budget of Succeeding Year										
Special Emerg. Appropriation - Tax Maps										
Statutory Excess to Fund Balance	25,682,542	6,092,036	106,949	-	204,193	76,776	-	-	-	-
Fund Balance, Beginning	15,411,379	27,194,343	113,595	113,595	510,063	658,287	7	7	7	7
	41,093,921	33,286,379	220,544	113,595	714,256	735,063	7	7	7	7
Decreased by:										
Utilized as Anticipated Revenue	12,500,000	17,875,000	-	-	252,000	225,000	-	-	-	-
Fund Balance, Ending	<u>\$ 28,593,921</u>	<u>\$ 15,411,379</u>	<u>\$ 220,544</u>	<u>\$ 113,595</u>	<u>\$ 462,256</u>	<u>\$ 510,063</u>	<u>\$ 7</u>	<u>\$ 7</u>	<u>\$ 7</u>	<u>7</u>

See Accompanying Notes to Financial Statements

CITY OF BAYONNE
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED DECEMBER 31, 2018
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- REGULATORY BASIS - BUDGET VS. ACTUAL

	Current Fund			Parking Utility Operating Fund		
	Modified Budget	Actual	Variance	Modified Budget	Actual	Variance
<u>Revenue and Other Income Realized</u>						
Fund Balance Utilized	\$ 12,500,000	\$ 12,500,000	\$ -	\$ 252,000	\$ 252,000	\$ -
Miscellaneous Revenues Anticipated	38,540,687	60,566,898	22,026,211	1,371,000	1,465,082	94,082
Receipts from Delinquent Taxes	26,326	262,811	236,485	-	-	-
Receipts from Current Taxes - Net of Taxes for County, School District and Special Improvement District	89,247,139	90,927,539	1,680,400	-	-	-
Non-Budget Revenues	-	1,070,721	1,070,721	-	-	-
Other Credits to Income:						
Unexpended Balance of Appropriation Reserves	-	1,362,216	1,362,216	-	-	-
Grant Appropriations Cancelled	-	219,196	219,196	-	-	-
Prior Year Revenue Accounts Receivable Realized	-	1,026,285	1,026,285	-	-	-
Other Credits to Income	-	122,357	122,357	-	98,103	98,103
	<u>\$ 140,314,152</u>	<u>\$ 168,058,023</u>	<u>\$ 27,743,871</u>	<u>\$ 1,623,000</u>	<u>\$ 1,815,185</u>	<u>\$ 192,185</u>
<u>Expenditures</u>						
Budget and Emergency Appropriations:						
Operations:						
Salaries and Wages	\$ 59,518,672	\$ 59,518,672	\$ -	\$ 783,000	\$ 783,000	\$ -
Other Expenses	39,840,407	39,840,407	-	317,000	317,000	-
Deferred Charges & Statutory Expenditures	16,053,800	16,053,800	-	153,000	153,000	-
Appropriations excluded from "CAP"						
Capital Improvements	100,000	100,000	-	50,000	50,000	-
Debt Service	23,017,843	22,933,307	(84,536)	320,000	307,992	(12,008)
Deferred Charges	43,430	43,430	-	-	-	-
Reserve for Uncollected Taxes	1,740,000	1,740,000	-	-	-	-

See Accompanying Notes to Financial Statements

CITY OF BAYONNE
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED DECEMBER 31, 2018

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- REGULATORY BASIS - BUDGET VS. ACTUAL

	Current Fund			Parking Utility Operating Fund		
	Modified Budget	Actual	Variance	Modified Budget	Actual	Variance
<u>Expenditures (continued)</u>						
Appropriations excluded from "CAP" (continued)						
Interfund Advances	\$ -	\$ 800,297	\$ 800,297	\$ -	\$ -	\$ -
Revenue Accounts Receivable Reserved	-	1,120,785	1,120,785	-	-	-
Refund of Prior Year Revenues	-	224,783	224,783	-	-	-
	<u>\$ 140,314,152</u>	<u>142,375,481</u>	<u>2,061,329</u>	<u>\$ 1,623,000</u>	<u>1,610,992</u>	<u>(12,008)</u>
Excess in Revenue		\$ 25,682,542	\$ 25,682,542		\$ 204,193	\$ 204,193
Fund Balance, January 1		15,411,379	15,411,379		510,063	510,063
		41,093,921	41,093,921		714,256	714,256
Less: Utilized as Anticipated Revenue		12,500,000	12,500,000		252,000	252,000
Fund Balance, December 31		<u>\$ 28,593,921</u>	<u>\$ 28,593,921</u>		<u>\$ 462,256</u>	<u>\$ 462,256</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The City of Bayonne (the “City”) is a general-purpose government that is governed by a separately elected governing body. It is legally separate and fiscally independent of other state and local governments. The City is organized as a Mayor – Council municipality under the provisions of N.J.S.A. 40:69A. The City is governed by an elected Mayor and Council, and by such other officers and employees as may be duly appointed. The Council consists of five members, two of which are elected at-large by voters of the City and serve a term of four years beginning on the first day of July next following their election. The Mayor is also elected directly by the voters of the City and also serves a term of four years beginning the first day of July following the election.

The financial statements of the City include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the City, as required by N.J.S.A. 40A:5-5. The Governmental Accounting Standards Board (herein referred to as “GASB”) establishes criteria to be used to determine which component units should be included in the financial statements of the primary government (the City). The State of New Jersey, Department of Community Affairs, Division of Local Government Services (the “Division”) requires the financial statements of the City to be reported separately from its component units. If the provisions of GASB had been complied with, the financial statements of the following component units would have been discretely presented with the financial statements of the City:

Bayonne Housing Authority

Special Improvement District

Audit reports of the component units are available at the offices of each of the respective component units.

BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes three fund categories to be used by general purpose governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP).

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF PRESENTATION (continued)

The financial statements of the City have been prepared in conformity with accounting principles and practices prescribed by the Division, which differ from GAAP. The principles and practices prescribed by the Division are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the City accounts for its financial transactions through the following separate funds and account group, which differ from the fund structure required by GAAP.

DESCRIPTION OF FUNDS

Current Fund – is used to account for all resources and expenditures for governmental operations of a general nature. The Federal and State Grant Fund is presented with the Current Fund.

Trust Fund – are used to account for receipts, custodianship and disbursement of dedicated revenues in accordance with the purpose for which each reserve was created, subject to available cash in each individual trust fund reserve established pursuant to state statutes or as an agent for individuals and other governmental agencies.

General Capital Fund – is used to account for the receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund or other funds. Also included in this fund are bonds and notes payable offset by deferred charges to future taxation.

Parking Utility Fund – is used to account for operations and acquisition of capital facilities of the City owned Parking Utility. The Utility Operating Fund records revenues and expenditures applicable to the general operation of the program to provide parking management services in the City. The Utility Capital Fund is used to account for capital acquisitions and improvements used to support the City's parking management functions, and the related debt issued to finance such acquisitions and improvements.

General Fixed Assets – is not a separate fund type, but is an account group used to account for all fixed assets of the City.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DESCRIPTION OF FUNDS (continued)

The accounts of the City are maintained in accordance with the Division's principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The Division's principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The General Fixed Assets account group, on the other hand, is a financial reporting device designed to provide accountability for certain fixed assets and the investment in those fixed assets that are not recorded in the funds because they do not directly affect net expendable available financial resources.

BASIS OF ACCOUNTING

The City prepares its financial statements on a basis of accounting prescribed by the Division that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The current financial resource focus and modified accrual basis of accounting is generally followed with significant exceptions which are explained as follows:

Revenues – Revenues are realized when received in cash except for certain amounts which are due from other governmental units. Receipts from Federal revenue sharing funds and other Federal and State grants are realized as revenue when anticipated in the budget. Receivables for property taxes and other amounts that are due to the City are recorded with offsetting reserves on the balance sheet of the Current Fund. Such amounts are not recorded as revenue until collected. Accordingly, no provision has been made to estimate that portion of receivables that are uncollectible. Taxes and payments in lieu of taxes collected in advance are recorded as cash liabilities in the financial statements. GAAP requires revenues to be recognized in the accounting period when they become measurable and available and in certain instances reduced by an allowance for doubtful accounts.

Reserve for Uncollected Taxes – Reserve for Uncollected Taxes is the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year. It is required to provide assurance that cash collected for taxes in the current year will provide sufficient cash flow to meet expected obligations. A Reserve for Uncollected Taxes is not established under GAAP.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

Expenditures – Expenditures are recorded on the “budgetary” basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Appropriation reserves covering unexpended appropriation balances are automatically created at the end of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriations for principal and interest payments on general capital indebtedness are provided on the cash basis. GAAP requires expenditures in the current (or general) fund, to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest on general long-term debt, which should be recognized when due.

Encumbrances – Encumbrances are contractual orders outstanding at year end reported as expenditures through the establishment of an encumbrance payable. Outstanding encumbrances at year end are reported as a cash liability in the financial statements. Encumbrances do not constitute expenditures under GAAP.

Appropriation Reserves – Appropriations are available until lapsed at the close of the succeeding year to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Transfers are allowed between certain line items during the first three months of the fiscal year. Lapsed appropriation reserves are recorded as other credits to income. Appropriation Reserves do not exist under GAAP.

Interfunds – Advances from the current fund are reported as interfunds receivable with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfunds receivable in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

Inventories of Supplies – The costs of inventories of supplies for all funds are recorded as expenditures at the time the individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

Property Acquired for Taxes – Property Acquired for Taxes is recorded in the current fund at the assessed valuation when such property was acquired and is subsequently updated for revaluations. The values of the properties are fully reserved. GAAP requires such property to be recorded as a fixed asset at market value on the date of acquisition.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

Deferred Charges to Future Taxation – Funded and Unfunded – Upon the authorization of general capital projects, the City establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized costs of capital projects. The City may levy taxes on all taxable property within the City to repay the debt. Annually, the City raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced. GAAP does not require the establishment of deferred charges to future taxation.

Fixed Capital and Fixed Capital Authorized and Uncompleted – The full amount of an authorized Utility Capital project or acquisition is recorded as Fixed Capital Authorized and Uncompleted, until that time when the authorized funds are used to purchase the acquisition or the capital project is completed, when it then is reclassified as Fixed Capital.

Reserve for Amortization and Deferred Amortization – The funded amount of authorized Utility Capital authorizations are recorded upon ordinance adoption as a Reserve for Deferred Amortization. Principal payments on bonds or pay-downs on notes issued to finance these authorizations are amortized to the reserve for amortization if the project is completed or the deferred amortization if the project is not completed. Upon the completion of capital projects or acquisition of capital assets authorized, the reserve for deferred amortization is reclassified as reserve for amortization.

Compensated Absences and Post-Employment Benefits – Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for post-employment benefits, if any, which are also funded on a pay-as-you-go basis. GAAP requires that the amount that would normally be liquidated with expendable financial resources to be recorded as an expenditure in the operating funds and the remaining obligations be recorded as long-term obligations.

Improvement Authorizations – Improvement Authorizations in the general capital fund represent the unexpended balance of an ordinance appropriation and is similar to the unexpended portion of the budget in the current fund. GAAP does not recognize these amounts as liabilities.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

General Fixed Assets – Accounting for Governmental Fixed Assets as promulgated by the Division differs in certain respects from GAAP, and requires the inclusion of a statement of general fixed assets as part of the City’s basic financial statements.

Fixed assets used in governmental operations (general fixed assets) are accounted for in an account group identified as “General Fixed Assets” and are not included within the records of any fund types. Purchases from these funds for fixed assets are recorded as expenditures within the fund. Public domain (infrastructure) general fixed assets consisting of certain improvements, other than improvements to buildings, such as improvements to roads, bridges, curbs and gutters, streets and sidewalks and drainage systems, are not capitalized.

All fixed assets, except land, are valued at historical cost or estimated historical cost if actual historical cost is not available. Expenditures for construction in progress are recorded in the Capital Fund against authorizations under which the project was approved until such time as the construction is completed and put into operation.

The City is required to maintain a subsidiary ledger of detailed records of fixed assets and to provide property management standards to control fixed assets. General fixed assets are defined as non-expendable personal property having a physical existence, a useful life of more than five years and an acquisition cost of \$5,000 or more per unit.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

No depreciation has been provided in the financial statements.

GAAP requires the recording of infrastructure assets and requires capital assets be depreciated over their estimated useful life unless they are either inexhaustible or are infrastructure assets reported using the modified approach.

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect: the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

Cash and Investments – New Jersey governmental units are required to deposit public funds in a public depository. Public depositories are defined by statutes as any State or federally chartered bank, savings bank or an association located in New Jersey or a state or federally chartered bank, savings bank or an association located in another state with a branch office in this State, the deposits of which are insured by the Federal Deposit Insurance Corporation (“FDIC”) and which receives or holds public funds on deposit, but does not include deposits held by the State of New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey municipal units.

The City is also required to annually adopt a cash management plan and to deposit or invest its funds pursuant to the cash management plan. The cash management plan adopted by the City requires it to deposit funds as permitted in N.J.S.A 40:5-15.1, so long as the funds are deposited in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey and requires all public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

In 2009, legislation revised GUDPA to provide higher levels of security and oversight appropriate to contemporary banking conditions. Among the increased protections and oversight, the revised GUDPA ensures a common level of deposit risk by each bank choosing to accept local government deposits, requires banks to fully collateralize deposits over \$200 million, implements enforcement protocol which allows the Department of Banking and Insurance to institute risk-based collateral requirements promptly when a bank shows signs of stress, provides enhanced oversight by the Department of banking and insurance and permits GUDPA certificates to be provided through an online system.

Cash Equivalents include certificate of deposits with a maturity date of less than three (3) months.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the City and approved by the Division in accordance with the Local Budget Law. Budgets are adopted on the same basis of accounting utilized for the preparation of the City's financial statements. The budgetary requirements herein outlined are applicable to only the Current Fund, and not the Trust Fund, General Capital Fund or the General Fixed Assets account group. However, statutes require the City to adopt annually a six-year capital plan. This plan allows the governing body to expend or incur obligations for capital purposes only. Such projects under the plan must be adopted through capital ordinance.

The City must adhere to procedures for adoption of its annual budget as established by the Division. These procedures include statutory deadlines of: February 20 for introduction and approval and March 20 for adoption. These dates are subject to extension by the Division by approval of the Local Finance Board. Appropriations within the adopted budget cannot be modified until the final two months of the year at which time transfers between certain line items are allowed. Under certain circumstances emergency authorizations and insertions of items of revenue and appropriation are allowed by authorization of the governing body, subject to approval of the Division.

The City must prepare its budgets in compliance with applicable laws capping the amounts by which both the budgeted appropriations and tax levy can be increased. A description of both "CAPS" follows:

1977 Appropriation "CAP": The 1977 Appropriation Cap is calculated using the formulas and provisions of N.J.S.A. 40A:4-45.1 through 4-45.43a. The law was originally adopted in 1976 and was most recently amended in 2003. Under this law, the City is permitted to increase its overall appropriations (with certain exceptions) by 2.5% or the "cost of living adjustment" (COLA), whichever is less. The COLA is calculated based on the traditional federal government inflation calculation. The City can, when the COLA is less than or equal to 2.5%, increase its allowable inside-the-cap spending to 3.5%, upon passage of a COLA Rate Ordinance.

2010 Levy "CAP": The 2010 Levy Cap is calculated using the formulas and provisions of N.J.S.A 40A:4-45.44 through 45.47. It establishes limits on the increase in the total City amount to be raised by taxation (tax levy). The core of the levy cap formula is a 2% increase to the previous year's amount to be raised by taxation, net of any applicable cap base adjustments and emergency or special emergency appropriations.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

Long-Term Obligations – General long-term debt is recognized as a liability of the General Capital Fund for the full amount.

Reserves (Other than Reserve for Receivables) – Reserves, other than reserves for receivables, are considered liabilities, and not as a reservation of fund balance.

Reserves for Receivables – Receivables of the City, with the exception of certain intergovernmental receivables, are offset on the balance sheet with a credit that is created to preserve the revenue recognition basis required by the Division’s accounting policies. The reserve delays the recognition of these revenues until they are received in cash.

Advertising Costs – Advertising costs are charged against the appropriate budget line as they occur. The City does not engage in direct-response advertising.

Sale of Municipal Assets – The proceeds of the sale of municipal assets can be held until made available through a future budget appropriation. GAAP requires such proceeds to be recorded as revenue in the year of sale.

Fund Balance – Fund equity represented on the financial statements consists solely of Fund Balance, which is not further categorized with respect to reservations (portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use) or designations (plans for future use of financial resources).

BASIC FINANCIAL STATEMENTS

The GASB Codification also requires the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The City presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP.

Total Columns on Combined Statements – Total columns are captioned “memorandum only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIC FINANCIAL STATEMENTS (Continued)

Comparative Data – Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City’s financial position and operations. Comparative data is not presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Reclassifications – Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year’s format. These reclassifications had no effect on fund balance or changes in fund balance.

Reconciliation of Accounting Basis – As described throughout Note A, substantial differences exist between GAAP and the budgetary basis prescribed by the Division. Reconciliation between the two would not be meaningful or informative and therefore is not provided herein.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

The City has elected to utilize the Comprehensive Annual Financial Report (“CAFR”) format for presentation of its audited financial statements. Where necessary, this format was modified to comply with reporting requirements prescribed by the Division. Some of the differences not already noted in the previous sections are described as follows:

All funds are reported as major. No distinction between major and non-major funds is required by the Division, therefore related information such as combining statements are not required. GAAP requires this distinction. No government-wide statements as required under GAAP are presented, instead, combined statements of fund types and account groups are presented which better represents the basis of account prescribed by the Division.

Certain information, including pension and other post-employment benefits, typically required by GAAP to be included in a “Required Supplementary Information” section is instead included in the Notes to Financial Statements.

The City’s CAFR includes a section titled supplementary information. This section incorporates budgetary comparison schedules similar to those required by GAAP, but also includes other detailed schedules which comply with accounting practices prescribed by the Division.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE B. CASH, CASH EQUIVALENTS AND INVESTMENTS

DEPOSITS

Cash and cash equivalents on deposit as of the years ended December 31, 2018 and 2017 are partially insured by the FDIC up to \$250,000 for each depository. Deposits in excess of FDIC limits, as noted below, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the GUDPA (see Note A - Cash and Investments).

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized.
- b. Collateralized with securities held by the pledging financial institution.
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

As of December 31, 2018, 63% of the City's deposits were with one financial institution and 23% with another, for a total of 86% of the City's deposits with two financial institutions. The City's deposits of cash and cash equivalents at December 31, 2018 are summarized in the following table.

Insured - FDIC	\$ 1,250,000
Insured - GUDPA	64,520,736
	<u>\$ 65,770,736</u>

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect deposits. None of the City's deposits as of December 31, 2018 are known to be held in foreign currency.

INVESTMENTS

Custodial Credit Risk - In the case of investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the City's name and are held by either the counterparty or its trust department or agent, but not in the City's name.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE B. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

INVESTMENTS (continued)

New Jersey statutes permit the City to purchase the following types of securities when authorized by the cash management plan (described in note A):

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America.
- Government money market mutual funds.
- Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located.
- Bonds or other obligations having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units.
- Local government investment pools.
- Deposits with the State of New Jersey Cash Management Fund.
- Agreements for the repurchase of fully collateralized securities if (a) the underlying securities are permitted investments pursuant to the first and third bullets of this section, (b) the custody of collateral is transferred to a third party, (c) the maturity of the agreement is not more than 30 days, (d) the underlying securities are purchased through a public depository and (e) a master repurchase agreement providing for the custody and security of collateral is executed.

Foreign Currency Risk – Investments are also exposed to the same foreign currency risk as deposits. It is the risk that changes in exchange rates will adversely affect investments. The City does not have any investments known to be denominated in foreign currency as of December 31, 2018 and 2017.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE B. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

INVESTMENTS (continued)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have an investment policy regarding the management of credit risk.

Concentration of Credit Risk – The City places no formal limit on the amount it may invest in any one issuer. New Jersey Statutes limit municipal investments to those specified, and as summarily identified in the first paragraph of the “Investments” section of this Note.

Government Investment Pools consist of investments in the New Jersey Cash Management Fund, MBIA Municipal Investors Service Corporation and NJ Asset Rebate and Management Program (NJARM). Because of their liquidity, these investments are classified as cash and cash equivalents on the financial statements of the City. For the year ending December 31, 2018, the City did not have any investments that are classified as Government Investment Pools.

Money Market Accounts – As of December 31, 2018 and 2017, the City’s Parking Utility Fund invested \$596,196 and \$627,036, respectively, in FDIC-insured money market “buckets”. Due to their liquidity, these funds are considered cash and cash equivalents on the City’s financial statements.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE C. PROPERTY TAXES

PROPERTY TAX CALENDAR

Property tax revenues are collected in quarterly installments due February 1, May 1, August 1 and November 1. Property taxes unpaid on April 1 of the year following their final due date are subject to tax sale in accordance with State statutes. The amount of tax levied includes not only the amount required in support of the City's annual budget, but also the amounts required in support of the budget of the entities that follow:

School Taxes – The City is responsible for levying, collecting and remitting school taxes for the local school district. Monies are forwarded to the school district monthly. Operations is charged for the full amount due to operate the local school district, and is based upon the annual County certification of apportionment of levies. As of December 31, 2018 and 2017, the City had no school taxes payable. The school tax levy collected by the City during the year ended December 31, 2018 and 2017, amounted to \$67,356,978 and \$64,644,844, respectively.

County Taxes – The City is responsible for levying, collecting and remitting county taxes for the County of Hudson. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. Monies are forwarded to the County on a quarterly basis. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10 of the current year, and due to be paid to the County by February 15 of the following year. As of December 31, 2018 and 2017, the City had County taxes payable of \$184,803 and \$193,479, respectively. The total County tax levied to City taxpayers during the year ended December 31, 2018 and 2017 amounted to \$27,024,524 and \$27,038,146, respectively.

Special Improvement District – The City is responsible for levying, collecting and remitting Special Improvement District (SID) taxes. The SID taxes are derived from assessments made upon the members within the SID and billed through the quarterly property tax bills as noted above. Monies are forwarded to the SID on a quarterly basis. As of December 31, 2018 and 2017, the City had Special Improvement District taxes payable of \$630,091 and \$515,404, respectively. The amount of Special Improvement District Tax levied and collected by the City amounted to \$290,000, each year, during the year ended December 31, 2018 and 2017.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE C. PROPERTY TAXES (continued)

PROPERTY TAXES RECEIVABLE

Reserve for Uncollected Taxes – Reserve for Uncollected Taxes is a non-spending item of appropriation required by statute to be included in the City’s annual budget. This appropriation protects the City from taxes not paid currently by providing assurance that cash collected in the current year will provide sufficient cash flow to meet obligations as they become due. The minimum amount required to be appropriated in the budget is determined by the percentage of collections experienced in the immediate preceding year, unless the three-year average option is chosen. The budgeted reserve amount for uncollected taxes during the year ended December 31, 2018 and 2017, amounted to \$1,740,000 and \$1,700,000, respectively.

Delinquent Taxes and Tax Title Liens – As described in Note A, taxes receivable and tax title liens are realized as revenue when collected. Uncollected receivables are fully reserved, so no provision is made for the uncollectible portions of these taxes. As of December 31, 2018 and 2017, property taxes receivable were \$1,053,069 and \$1,036,505, respectively and tax title liens receivable were \$562,652 and \$531,467, respectively.

Property Acquired by Tax Title Lien Liquidation – In lieu of a traditional tax sale, the City once again conducted a bulk levy sale and sold the balance due of its tax levy for the fiscal year ended December 31, 2018 to a third party purchaser. The sale included all properties except those which were in bankruptcy or subject to an existing municipal lien. The City received the full value of the balance due plus a premium of \$100,000. The City continues to collect the taxes and any interest due and forwards those amounts weekly to the purchaser. There were no additional properties acquired by tax title lien liquidation during the year ended December 31, 2018 and 2017. The value of properties acquired by tax title lien liquidation as of December 31, 2018 and 2017 were \$6,473,400 and \$6,482,000, respectively.

Prepaid Taxes – Taxes collected in advance are recorded as cash liabilities in the financial statements. Prepaid taxes as of December 31, 2018 and 2017 were \$794,576 and \$3,549,214, respectively.

Tax Overpayments – Overpaid taxes collected during the year and due to taxpayers either as a refund or tax credit are recorded as cash liabilities in the financial statements. Tax overpayments as of December 31, 2018 and 2017 were \$3,595,966 and \$3,467,851, respectively.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE D. MUNICIPAL DEBT

SUMMARY OF MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds to finance general municipal and utility capital expenditures. Most bonds are retired in serial installments within the statutory period of usefulness. Other bonds may be term bonds with sinking fund requirements. Bonds issued by the City are general obligation bonds, backed by the full faith and credit of the City. Bond Anticipation Notes, which are issued to temporarily finance capital projects, must be paid off within ten years or retired by the issuance of bonds.

School Debt (Included as Obligations of the City) – As of January 2015, The City of Bayonne Board of Education is classified as a Type II School District. Any bonds or notes issued and authorized by the Board of Education before January 2015 are general obligations of the City. These obligations are accordingly reported on the balance sheet of the City's General Capital Fund and are accordingly included in the summary of municipal debt.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE D. MUNICIPAL DEBT (continued)

SUMMARY OF MUNICIPAL DEBT (continued)

At December 31, 2018 and 2017, the City's statutory debt is summarized as follows:

SUMMARY OF MUNICIPAL DEBT		
	Dec. 31, 2018	Dec. 31, 2017
<u>Issued:</u>		
General:		
General Serial Bonds	\$ 127,392,916	\$ 109,748,150
Green Acres Trust Loan	116,824	144,977
Capital Appreciation Bonds	254,610	244,568
Bond Anticipation Notes	35,399,000	57,800,000
Self-Liquidating Purposes:		
Parking Revenue Bonds	2,250,000	2,455,000
School:		
School Serial Bonds	55,830,755	62,586,117
Gross Statutory Debt Issued	221,244,105	232,978,812
Less Statutory Deductions to Debt Limit:		
Bonds and Notes for School Purposes	(55,830,755)	(62,586,117)
NJSA 40:2-52 Refunding Bonds - Pension Refunding	(14,310,000)	(14,510,000)
Self-Liquidating Purposes	(2,250,000)	(2,455,000)
Funds Held to Pay Bonds and Notes	(1,194,564)	(1,190,331)
Net Debt Issued	147,658,786	152,237,364
<u>Authorized but not Issued:</u>		
General:		
General Improvements	18,524,746	3,899,746
School Improvements	3,700,000	3,700,000
Gross Authorized but not Issued	22,224,746	7,599,746
Less Statutory Deductions:		
Applicable for School Purposes	(3,700,000)	(3,700,000)
Net Debt Authorized but Not Issued	18,524,746	3,899,746
Net Bonds and Notes Issued and Authorized but not Issued	\$ 166,183,532	\$ 156,137,110

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE D. MUNICIPAL DEBT (continued)

SUMMARY OF MUNICIPAL DEBT (continued)

The City's long-term debt is summarized below:

	Balance Dec. 31, 2017	Increase	Accrual	Retirements	Balance Dec. 31, 2018	Due by Dec. 31, 2019
<u>General Capital Fund:</u>						
General Serial Bonds	\$ 109,748,150	\$ 20,655,000	\$ -	\$ 3,010,234	\$ 127,392,916	\$ 3,830,180
School Serial Bonds	62,586,117	-	-	6,755,362	55,830,755	6,795,597
Capital Appreciation Bonds	244,568	-	10,042	-	254,610	-
Green Acres Trust Loan	144,977	-	-	28,153	116,824	14,587
<u>Parking Utility Capital Fund:</u>						
Parking Revenue Bonds	2,455,000	-	-	205,000	2,250,000	210,000
	<u>\$ 175,178,812</u>	<u>\$ 20,655,000</u>	<u>\$ 10,042</u>	<u>\$ 9,998,749</u>	<u>\$ 185,845,105</u>	<u>\$ 10,850,364</u>

Debt Refunding

During the year ended December 31, 2018, the City renewed or refunded Bond Anticipation Notes, the proceeds of which were used to pay the principal of the maturing notes less statutory minimum payments appropriated through the Current Fund budget. Bond Anticipation Notes are more fully discussed herein.

Qualified Bonds

Certain bonds of the City are issued pursuant to the Municipal Qualified Bond Act. Under this act, portions of State Aid revenues are withheld by the State of New Jersey and forwarded directly to paying agents for principal and interest payments of such bonds. The City is responsible to certify maturity schedules of the qualified bonds to the State. During the year ended December 31, 2018 and 2017, the State of New Jersey paid \$7,344,246 and \$7,027,399, respectively of qualified bond interest and principal maturities directly to paying agents on behalf of the City in lieu of State Aid.

BONDS PAYABLE

General Serial Bonds Payable

The City has outstanding at December 31, 2018 various general serial bond debt issues. The following table is a summary of the activity for such debt during the year ended December 31, 2018 and the short-term liability for each issue:

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE D. MUNICIPAL DEBT (continued)

BONDS PAYABLE (Continued)

General Serial Bonds Payable (Continued)

Summary of General Serial Bonds Activity					
Description	Balance Dec. 31, 2017	Increase	Decrease	Balance Dec. 31, 2018	Due by Dec. 31, 2019
Employee Retirement Incentive Refunding Bonds					
Issued 1/15/2003 for \$15,795,000					
Maturing annually from 2011 to 2033					
Bearing variable interest rates ranging					
from 5.05% to 5.68%	\$ 14,510,000	\$ -	\$ 200,000	\$ 14,310,000	\$ 250,000
Capital Appreciation Bonds					
Issued 7/3/2003 for \$6,123,000					
Maturing annually from 2011 to 2023					
Bearing variable interest rates ranging					
from 3.55% to 5.17%	2,793,150	-	550,234	2,242,916	525,180
Hudson County Improvement Authority					
Issued 10/24/2008 for \$10,000,000					
Maturing annually from 2011 to 2025					
Bearing an interest rates of 7.5%	5,900,000	-	665,000	5,235,000	635,000
General Improvement Infrastructure Bond					
Issued 6/24/2009 for \$67,625,000					
Maturing annually from 2010 to 2039					
Bearing variable interest rates ranging					
from 4.0% to 5.75%	1,460,000	-	695,000	765,000	765,000
Redevelopment Agency Revenue Bonds					
Issued 8/15/2013 for \$13,225,000					
Maturing annually from 2014 to 2038					
Bearing variable interest rates ranging					
from 5.4% to 7.625%	555,000	-	270,000	285,000	285,000
Special Assessment Bonds					
Issued 11/19/2014 for \$6,322,000					
Maturing annually from 2015 to 2034					
Bearing variable interest rates ranging					
from 2.25% to 5.00%	5,360,000	-	320,000	5,040,000	315,000
General Obligation Refunding Bonds					
Issued 6/10/2015 for \$3,020,000 plus refunding					
of Redevelopment Agency Revenue Bonds					
in amount of \$11,755,000					
Maturing annually from 2015 to 2038					
Bearing variable interest rates ranging					
from 2.0% to 4.125%	14,155,000	-	190,000	13,965,000	190,000

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE D. MUNICIPAL DEBT (continued)

BONDS PAYABLE (continued)

General Serial Bonds Payable (continued)

Summary of General Serial Bonds Activity - continued					
Description	Balance Dec. 31, 2017	Increase	Decrease	Balance Dec. 31, 2018	Due by Dec. 31, 2019
General Improvement Infrastructure Bond Issued 3/22/2016 for \$66,000,000 Maturing annually from 2017 to 2039 Bearing variable interest rates ranging from 3.0% to 5.0%	\$ 65,015,000	\$ -	\$ 120,000	\$ 64,895,000	\$ 120,000
General Improvement Infrastructure Bond Issued 4/17/2018 for \$7,208,000 Maturing annually from 2019 to 2029 Bearing variable interest rates ranging from 2.0% to 5.0%	-	7,208,000	-	7,208,000	390,000
General Improvement Infrastructure Bond Issued 4/17/2018 for \$13,447,000 Maturing annually from 2019 to 2048 Bearing variable interest rates ranging from 4.25% to 5.00%	-	13,447,000	-	13,447,000	355,000
	<u>\$ 109,748,150</u>	<u>\$ 20,655,000</u>	<u>\$ 3,010,234</u>	<u>\$ 127,392,916</u>	<u>\$ 3,830,180</u>

In a prior year, the City elected to participate in the Early Retirement Incentive (ERI) Program for employees covered by PERS, PFRS and TPAF. On February 6, 2003, the City issued Federally Taxable Pension Refunding Bonds, Series 2003, in the amount of \$15,795,000, the proceeds of which were used to pay the pension liabilities. These bonds are included in the above general serial bonds payable.

School Serial Bonds Payable

The City has outstanding at December 31, 2018 various school serial bond debt issues. The following table is a summary of the activity for such debt during the year ended December 31, 2018 and the short term liability for each issue:

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE D. MUNICIPAL DEBT (continued)

BONDS PAYABLE (continued)

School Serial Bonds Payable (continued)

Summary of School Serial Bonds Activity				
Description	Balance Dec. 31, 2017	Decrease	Balance Dec. 31, 2018	Due by Dec. 31, 2019
School Refunding Bonds				
Issued 4/1/2003 for \$3,965,000				
Maturing annually from 2016 to 2023				
Bearing variable interest rates ranging				
from 5.0% to 5.5%	\$ 3,120,000	\$ 455,000	\$ 2,665,000	\$ 480,000
Capital Appreciation Bonds				
Issued 2/15/2003 for \$4,753,739				
Maturing annually from 2010 to 2022				
Bearing variable interest rates ranging				
from 4.075% to 4.974%	1,564,658	349,782	1,214,876	329,960
Capital Appreciation Bonds				
Issued 7/3/2003 for \$12,381,097				
Maturing annually from 2012 to 2023				
Bearing variable interest rates ranging				
from 3.75% to 4.96%	5,833,459	1,100,580	4,732,879	1,050,637
School Bonds (NJ School Bond Reserve Act)				
Issued 10/24/2008 for \$15,636,000				
Maturing annually from 2009 to 2030				
Bearing variable interest rates ranging				
from 6.0% to 6.25%	375,000	375,000	-	-
Early Retirement Incentive Refunding Bonds				
Issued 5/7/2009 for \$10,920,000				
Maturing annually from 2010 to 2021				
Bearing variable interest rates ranging				
from 3.0% to 6.25%	4,455,000	1,015,000	3,440,000	1,080,000
School Bonds				
Issued 11/19/2014 for \$6,121,000				
Maturing annually from 2015 to 2034				
Bearing variable interest rates ranging				
from 2.25% to 5.00%	5,461,000	235,000	5,226,000	240,000

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE D. MUNICIPAL DEBT (continued)

BONDS PAYABLE (continued)

School Serial Bonds Payable (continued)

Summary of School Serial Bonds Activity				
Description	Balance Dec. 31, 2017	Decrease	Balance Dec. 31, 2018	Due by Dec. 31, 2019
School Bonds				
Issued 11/19/2014 for \$1,027,000				
Maturing annually from 2015 to 2021				
Bearing variable interest rates ranging				
from 2.00% to 3.25%	\$ 607,000	\$ 145,000	\$ 462,000	\$ 150,000
School Refunding Bonds				
Issued 8/13/2014 for \$28,380,000				
Maturing annually from 2016 to 2025				
Bearing variable interest rates ranging				
from 3.0% to 5.0%	23,390,000	2,650,000	20,740,000	2,640,000
School Bonds (NJ School Bond Reserve Act)				
Issued 6/10/2015 for \$1,639,000 plus				
refunding of old School Bonds in amount				
of \$13,836,000				
Maturing annually from 2015 to 2030				
Bearing variable interest rates ranging				
from 2.0% to 5.0%	14,995,000	105,000	14,890,000	505,000
School Refunding Bonds				
Series 2016				
Issued 4/19/2016 for \$3,425,000				
Maturing annually from 2017 to 2025				
Bearing variable interest rates ranging				
from 2.0% to 4.0%	2,785,000	325,000	2,460,000	320,000
	<u>\$ 62,586,117</u>	<u>\$ 6,755,362</u>	<u>\$ 55,830,755</u>	<u>\$ 6,795,597</u>

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

Parking Utility Capital Fund - Revenue Bonds Payable

The City has outstanding at December 31, 2018 various Parking Utility Bonds. The following table is a summary of the activity for such debt during the year ended December 31, 2018 and the short term liability for each issue:

Summary of Parking Revenue Bond Activity				
Description	Balance Dec. 31, 2017	Decrease	Balance Dec. 31, 2018	Due by Dec. 31, 2019
Parking Utility Refunding Bonds				
Issued 6/10/2015 for \$50,000 plus refunding of parking revenue bonds in amount of \$2,480,000				
Maturing annually from 2015 to 2027				
Bearing variable interest rates ranging from 2.0% to 5.0%				
	\$ 2,455,000	\$ 205,000	\$ 2,250,000	\$ 210,000
	<u>\$ 2,455,000</u>	<u>\$ 205,000</u>	<u>\$ 2,250,000</u>	<u>\$ 210,000</u>

The Parking Utility Fund had an excess in revenues for the year ended December 31, 2018 and therefore qualifies as self-liquidating. That calculation is provided below. An excess in revenues allows the entire amount of Parking Revenue Bonds outstanding, \$2,250,000, to be deducted from the gross debt of the City.

Self-Liquidating Utility Calculation		
Total Cash Receipts from Fees, Rents or Other Charges	\$ 1,465,082	
Surplus Anticipated	<u>252,000</u>	
		\$ 1,717,082
Operating and Maintenance Cost	1,223,242	
Debt Service:		
Interest	102,992	
Principal	<u>205,000</u>	
		<u>1,531,234</u>
Excess in Revenues		<u>\$ 185,848</u>

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE D. MUNICIPAL DEBT (continued)

BONDS PAYABLE (continued)

Capital Appreciation bonds – Dissolution of Bayonne Municipal Utilities Authority (BMUA)

Effective December 31, 2016, the Bayonne Municipal Utilities Authority was officially dissolved and operations went to the City. The City is responsible for all debt of the BMUA, which consists of two capital appreciation bonds. Capital appreciation bonds are similar to zero coupon bonds in that they are offered at a huge discount and “accrete” to par value over the life of the bond, in this case 40 years, maturing in 2052. The following table is a summary of the activity for such debt during the year ended December 31, 2018:

Summary of Capital Appreciation Bonds Activity

Description						
Water System Revenue Bond: Issued 12/21/2012 for \$100,000 maturing in 2052 Bearing an interest rate of 4.06%						
	Purchase Price	Accrual		Accrual		
2012	\$ 100,000		2026	\$ 175,647	2040	\$ 308,517
2013		\$ 104,106	2027	182,858	2041	321,184
2014		108,380	2028	190,365	2042	334,370
2015		112,830	2029	198,181	2043	348,098
2016		117,462	2030	206,318	2044	362,390
2017		122,284	2031	214,788	2045	377,268
2018		127,305	2032	223,607	2046	392,758
2019		132,532	2033	232,787	2047	408,883
2020		137,973	2034	242,345	2048	425,670
2021		143,638	2035	252,294	2049	443,146
2022		149,535	2036	262,653	2050	461,340
2023		155,674	2037	273,436	2051	480,281
2024		162,066	2038	284,663	2052	500,000
2025		168,719	2039	296,350		

Description						
Sewer System Revenue Bond: Issued 12/21/2012 for \$100,000 maturing in 2052 Bearing an interest rate of 4.06%						
	Purchase					
	Price	Accrual		Accrual	Accrual	
2012	\$ 100,000		2026	\$ 175,647	2040	\$ 308,517
2013		\$ 104,106	2027	182,858	2041	321,184
2014		108,380	2028	190,365	2042	334,370
2015		112,830	2029	198,181	2043	348,098
2016		117,462	2030	206,318	2044	362,390
2017		122,284	2031	214,788	2045	377,268
2018		127,305	2032	223,607	2046	392,758
2019		132,532	2033	232,787	2047	408,883
2020		137,973	2034	242,345	2048	425,670
2021		143,638	2035	252,294	2049	443,146
2022		149,535	2036	262,653	2050	461,340
2023		155,674	2037	273,436	2051	480,281
2024		162,066	2038	284,663	2052	500,000
2025		168,719	2039	296,350		

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE D. MUNICIPAL DEBT (continued)

LOANS PAYABLE

Green Trust Loans Payable

The City has outstanding at December 31, 2018 various Green Trust Loans. The following table is a summary of the activity for such debt during the year ended December 31, 2018 and the short term principal liability for each issue:

Summary of Green Trust Loans Activity				
Description	Balance Dec. 31, 2017	Decrease	Balance Dec. 31, 2018	Due by Dec. 31, 2019
1983 Green Trust				
Issued 1998 for \$450,000				
Maturing annually from 1999 to 2018				
Bearing variable interest rates	\$ 13,853	\$ 13,853	\$ -	\$ -
1995 GFB				
Issued 2006 for \$171,000				
Maturing annually from 2007 to 2026				
Bearing variable interest rates	82,739	9,023	73,716	9,204
95GT				
Issued 2006 for \$100,000				
Maturing annually from 2007 to 2026				
Bearing variable interest rates	48,385	5,277	43,108	5,383
	<u>\$ 144,977</u>	<u>\$ 28,153</u>	<u>\$ 116,824</u>	<u>\$ 14,587</u>

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE D. MUNICIPAL DEBT (continued)

DEBT SERVICE REQUIREMENTS TO MATURITY

The repayment schedule of annual debt service principal and interest for the next five years, and five year increments there-after, for bonds issued and outstanding is as follows:

Schedule of Debt Service Requirements to Maturity - Bonds Issued and Outstanding								
Year Ended	General Serial Bonds		School Serial Bonds		Parking Revenue Bonds		Total	Total
Dec. 31,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 3,830,180	\$ 6,870,268	\$ 6,795,597	\$ 3,724,446	\$ 210,000	\$ 100,600	\$ 10,835,777	\$ 10,695,314
2020	4,159,837	6,454,496	7,004,121	3,555,954	220,000	92,200	11,383,958	10,102,650
2021	4,360,000	6,300,837	7,062,981	3,390,632	230,000	83,400	11,652,981	9,774,869
2022	4,489,944	6,131,629	5,890,629	3,184,587	235,000	74,200	10,615,573	9,390,416
2023	4,607,955	5,894,223	5,696,427	2,680,140	245,000	64,800	10,549,382	8,639,163
2024-2028	26,930,000	22,419,969	15,860,000	3,254,606	1,110,000	129,700	43,900,000	25,804,275
2029-2033	30,363,000	15,979,156	7,095,000	646,844	-	-	37,458,000	16,626,000
2034-2038	35,935,000	8,361,921	426,000	14,910	-	-	36,361,000	8,376,831
2039-2043	9,480,000	1,377,713	-	-	-	-	9,480,000	1,377,713
2044-2048	3,237,000	376,267	-	-	-	-	3,237,000	376,267
	<u>\$ 127,392,916</u>	<u>\$ 80,166,479</u>	<u>\$ 55,830,755</u>	<u>\$ 20,452,119</u>	<u>\$ 2,250,000</u>	<u>\$ 544,900</u>	<u>\$ 185,473,671</u>	<u>\$ 101,163,498</u>

The repayment schedule of annual debt service principal and interest for the next five years, and five year increments there-after, for loans outstanding is as follows:

Schedule of Debt Service Requirements to Maturity - Loans Outstanding		
Year Ended	Green Trust Loans	
Dec. 31,	Principal	Interest
2019	\$ 14,587	\$ 2,264
2020	14,881	1,971
2021	15,180	1,672
2022	15,485	1,366
2023	15,797	1,055
2024-2026	40,894	1,235
	<u>\$ 116,824</u>	<u>\$ 9,563</u>

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE D. MUNICIPAL DEBT (continued)

NOTES PAYABLE

Bond Anticipation Notes

The City issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year, but the notes may be renewed from time to time for a period not exceeding one year. Generally, such notes may be paid no later than the close of the tenth fiscal year next following the date of the original notes. The Division also prescribes that notes cannot be renewed past the third anniversary date of the original note unless an amount equal to at least the first legally required installment is paid prior to each anniversary date.

The purposes for which these notes were issued as well as more detailed information of the above-referenced information can be found in the table that follows:

DETAIL OF BOND ANTICIPATION NOTES										
December 31, 2017					December 31, 2018					
Original Issue		Interest Rate	Maturity Date	Balance	Notes Issued	Paid by Debt	Paid Down	Balance	Maturity Date	Interest Rate
Date	Amount					Reserved from 2018 Bond Proceeds				
Refunding of Tax Appeals:										
4/24/2014	\$ 2,250,000	2.250%	6/15/2018	\$ 663,750	\$ -	\$ -	\$ 528,750	\$ 135,000	6/4/2019	3.000%
12/22/2015	4,230,000	2.250%	6/15/2018	2,538,000	-	-	846,000	1,692,000	6/4/2019	3.000%
Citywide Communication Systems:										
3/9/2007	5,075,000	2.250%	6/15/2018	2,669,614	-	2,670,000	(386)	-	-	-
Various Capital Improvements:										
3/9/2007	1,690,000	2.250%	6/15/2018	758,636	-	758,000	636	-	-	-
7/6/2015	3,780,000	2.250%	6/15/2018	3,780,000	-	3,780,000	-	-	-	-
10/19/2017	4,500,000	2.250%	10/18/2018	4,500,000	-	-	-	4,500,000	10/3/2019	3.000%
10/19/2017	1,675,000	2.250%	10/18/2018	1,675,000	-	-	-	1,675,000	10/3/2019	3.000%
BLRA Dissolution:										
7/25/2013	43,735,000	2.000%	6/15/2018	41,215,000	-	13,447,000	371,000	27,397,000	6/4/2019	2.000%
Roadway Improvements-LeFante										
10/3/2018	550,000	-	-	-	550,000	-	-	550,000	10/3/2019	3.000%
				\$57,800,000	\$ -	\$ 20,655,000	\$ 1,746,000	\$35,399,000		

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE D. MUNICIPAL DEBT (continued)

NOTES PAYABLE (continued)

Tax Anticipation Notes

Tax anticipation notes are issued for interim financing of Current Fund operations. The local budget law allows the City to issue notes in anticipation of the collection of taxes or other revenues of such year for the purposes provided for in the current operating budget. These notes cannot exceed 30% of the tax levy of the previous fiscal year plus 30% of the miscellaneous revenues realized in cash of the previous fiscal year. All notes must be paid within 120 days of the beginning of the next fiscal year. There were no tax anticipation notes issued or outstanding at December 31, 2018 and 2017, respectively.

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2018 and 2017, the City has authorized but not issued bonds and notes of \$22,224,746 and \$7,599,746, respectively, in the General Capital Fund. The following activity relates to bonds and notes authorized but not issued that occurred during the year ended December 31, 2018:

	Balance Dec. 31, 2017	Debt Authorized	Notes Issued	Balance Dec. 31, 2018
General Improvements	\$ 3,899,746	\$ 15,175,000	\$ 550,000	\$ 18,524,746
School Improvements	3,700,000	-	-	3,700,000
	<u>\$ 7,599,746</u>	<u>\$ 15,175,000</u>	<u>\$ 550,000</u>	<u>\$ 22,224,746</u>

SUMMARY OF STATUTORY DEBT CONDITION – ANNUAL DEBT STATEMENT

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement.

	Gross Debt	Deductions	Net Debt
School Purposes	\$ 59,530,755	\$ 59,530,755	\$ -
Self-Liquidating Purposes	2,250,000	2,250,000	-
General Bonds and Notes	181,688,096	15,504,564	166,183,532
	<u>\$ 243,468,851</u>	<u>\$ 77,285,319</u>	<u>\$ 166,183,532</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE D. MUNICIPAL DEBT (continued)

SUMMARY OF STATUTORY DEBT CONDITION – ANNUAL DEBT STATEMENT (continued)

Net debt of \$166,183,532 divided by the equalized valuation basis per N.J.S.A. 40A:2-2 as amended, \$5,879,548,723 equals 2.826%.

Equalized valuation basis is the average of the equalized valuations of real estate, including improvements, and the assessed valuation of class II Railroad Property of the County for the last 3 preceding years.

BORROWING POWER UNDER N.J.S.A. 40A:2-6 AS AMENDED

Borrowing Power	
3 1/2% of Equalized Valuation Basis	\$ 205,784,205
Less: Net Debt	<u>166,183,532</u>
Excess Borrowing Power	<u><u>\$ 39,600,673</u></u>

NOTE E. FUND BALANCES APPROPRIATED

Fund balance of the City consists of cash surplus and non-cash surplus. The City can anticipate fund balance to support its budget of the succeeding year, however, the use of non-cash surplus is subject to the prior written consent of the Division. Fund balances at December 31, 2018 and 2017 which were appropriated and included as anticipated revenue in the Current Fund and Parking Utility Operating Fund budgets of the succeeding year were as follows:

	<u>Fund Balance Dec. 31, 2017</u>	<u>Utilized in 2018 Budget</u>	<u>Fund Balance Dec. 31, 2018</u>	<u>Utilized in 2019 Budget</u>
Current Fund	\$ 15,411,499	\$ 12,500,000	\$ 28,593,921	\$ 14,408,000
Capital Fund	113,595	-	214,827	
Parking Utility Fund:				
Operating	510,063	252,000	462,256	191,100
Capital	7	-	7	

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION

Substantially all City employees participate in the Consolidated Police and Fireman's Pension Fund (CPFPPF), Public Employees Retirement System (PERS), Police and Fireman's Retirement System of New Jersey (PFRS) or the Defined Contribution Retirement Program (DCRP), all of which are multiple employer plans sponsored and administered by the State of New Jersey, with the exception of the CPFPPF, which is a single employer plan. The CPFPPF, PERS and PFRS are cost sharing contributory defined benefit public employee retirement systems. The DCRP is a defined contribution plan.

In addition, certain employees participate in the City's Deferred Compensation Plan.

STATE-MANAGED PENSION PLANS - CPFPPF

The Consolidated Police and Fireman's Pension Fund (CPFPPF) is a single employer contributory defined benefit plan which was established on January 1, 1952, under the provisions of N.J.S.A. 43:16 to provide retirement, death and disability benefits to county and municipal police and firemen who were appointed prior to July 1, 1944. The fund is a closed system with no active members. The City currently only makes contributions for its retirees who are enrolled in this pension fund.

STATE-MANAGED PENSION PLANS - PERS

The PERS was established in January, 1955 under provisions of N.J.S.A. 43:15A and provides retirement, death, disability and post-retirement medical benefits to certain qualifying Plan members and beneficiaries. Membership is mandatory to substantially all full time employees and vesting occurs after 8 to 10 years of service for pension benefits. Significant modifications to enrollment, benefits and eligibility for benefits under the plan were made in 2007, 2008, 2010 and 2011. These changes resulted in various "tiers" which distinguish period of eligibility for enrollment. The delineation of these tiers is noted below:

- Tier 1: Employees enrolled before July 1, 2007.
- Tier 2: Employees eligible for enrollment after June 30, 2007 but before November 2, 2008.
- Tier 3: Employees eligible for enrollment after November 1, 2008 but before May 22, 2010.
- Tier 4: Employees eligible for enrollment after May 21, 2010 but before June 28, 2011.
- Tier 5: Employees eligible for enrollment after June 27, 2011.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PERS (continued)

Tier 1 and 2 employees must earn a base salary of \$1,500 or more to enroll in the plan. Pensionable salaries are limited to the IRS maximum salary compensation limits for Tier 1 employees and social security maximum wage for Tier 2 employees. Tier 2 employees earning over the social security maximum wage are eligible to participate in DCRP for the excess amount. Tier 3 employees must earn a base salary that is annually adjusted. For the fiscal year ended December 31, 2018 and 2017 this base salary amount was \$8,300 and \$8,300, respectively. Employees earning between \$5,000 and the Tier 3 minimum base salary are eligible for participation in DCRP. Pensionable salaries are limited to the social security maximum wage. Employees earning over the social security maximum wage are eligible to participate in DCRP for the excess amount. Tier 4 and 5 employees do not have a minimum salary requirement to enroll, but must work a minimum of 32 hours per week. Employees not meeting the minimum hour requirement but that make over \$5,000 are eligible to enroll in DCRP. Pensionable salaries are limited to the social security maximum wage. Employees earning over the social security maximum wage are eligible to participate in DCRP for the excess amount.

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 64. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of their respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Each of the 5 Tiers have eligibility requirements and benefit calculations which vary for deferred retirements, early retirements, veteran retirements, ordinary disability retirements and accidental disability retirements. There is no minimum service requirement to receive these pension benefits. State-paid insurance coverage may be obtained after 25 years of service for employees in Tiers 1 through 4 and 30 years of service for Tier 5 employees.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PERS (continued)

Contributions and Liability

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and their employers. Such contributions may be amended by State legislation. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and non-contributory death benefits. The employee contributions include funding for basic retirement allowances and contributory death benefits. Contributions made by the City and its employees for the previous three years are as follows:

Year Ended December 31,	City Contribution		Base Wages Subject to Contributions	Employee Contributions	
	Amount Paid or Charged	As a Percentage of Base Wages		As a Percentage of Base Wages	Amount Contributed
2018	\$ 2,405,855	14.40%	\$ 16,703,988	7.50% (1)	\$ 1,239,482
2017	2,297,652	13.62%	16,870,885	7.34% (1)	1,226,061
2016	2,179,057	13.32%	16,360,522	7.20% (1)	1,166,562

(1) These rates took effect on July 1

The net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018 and 2017, the City's net pension liability for PERS, including the City's proportionate share, was as follows:

Year Ended June 30,	Proportionate Share		Net Pension Liability
	Rate	Change	
2018	0.24061%	0.00043%	\$ 47,374,828
2017	0.24018%	0.00005%	55,911,065

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PERS (continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability as of June 30, 2018 and 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

At:	2018		2017	
	Rate	Amount	Rate	Amount
1% Decrease	4.66%	\$ 59,568,388	4.00%	\$ 69,361,471
Current Discount Rate	5.66%	47,374,828	5.00%	55,911,065
1% Increase	6.66%	37,145,211	6.00%	44,705,210

Actuarial Assumptions

The total pension liability for the June 30, 2018 and June 30, 2017 measurement dates were determined by actuarial valuations as of July 1, 2017 and 2016, respectively, which were rolled forward to June 30, 2018 and 2017, respectively. These actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement:

	For Measurement Date of:	
	June 30, 2018	June 30, 2017
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	1.65-4.15%	1.65-4.15%
	based on age	based on age
Thereafter	2.65-5.15%	2.65-5.15%
	based on age	based on age
Investment Rate of Return	7.00%	7.00%

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PERS (continued)

Actuarial Assumptions (continued)

Mortality – Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

For the June 30, 2017 Measurement Date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants (set back two years for males and seven years for females). In addition, the tables provided for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirements used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back three years for males and set forward one year for females). The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PERS (continued)

Actuarial Assumptions (continued)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018 and 7.00% at 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in PERS target asset allocations as of June 30, 2018 and 2017 are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected	
	June 30,		Real Rate of Return	
	2018	2017	2018	2017
Cash	5.50%	5.50%	1.00%	5.51%
Absolute return/risk mitigation	5.00%	5.00%	5.51%	1.00%
U.S. Treasuries	3.00%	3.00%	1.87%	1.87%
Investment Grade Credit	10.00%	10.00%	3.78%	3.78%
Public High Yield	2.50%	2.50%	6.82%	6.82%
Global Diversified Credit	5.00%	5.00%	7.10%	7.10%
Credit Oriented Hedge Funds	1.00%	1.00%	6.60%	6.60%
Debt Related Private Equity	2.00%	2.00%	10.63%	10.63%
Debt Related Real Estate	1.00%	1.00%	6.61%	6.61%
Private Real Asset	2.50%	2.50%	11.83%	11.83%
Equity Related Real Estate	6.25%	6.25%	9.23%	9.23%
U.S Equity	30.00%	30.00%	8.19%	8.19%
Non-U.S. Developed Markets Equity	11.50%	11.50%	9.00%	9.00%
Emerging Market Equities	6.50%	6.50%	11.64%	11.64%
Buyouts/venture Capital	8.25%	8.25%	13.08%	13.08%

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PERS (continued)

Actuarial Assumptions (continued)

Discount Rate - The discount rate used to measure the total pension liability was 5.66% and 5.00% as of June 30, 2018 and 2017, respectively. This single blend discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.00% as of June 30, 2018 and 2017, respectively, and a municipal bond rate of 3.87% and 3.58% as of June 30, 2018 and 2017, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Deferred Outflows and Inflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources for the years ended June 30, 2018 and 2017:

	June 30, 2018			June 30, 2017		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflow / (Inflow)	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflow / (Inflow)
Changes of Assumptions	\$ 7,806,587	\$ (15,147,951)	\$ (7,341,364)	\$ 11,264,153	\$ (11,222,856)	\$ 41,297
Difference Between Expected and Actual Experience	903,445	(244,280)	659,165	1,316,513	-	1,316,513
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(444,378)	(444,378)	380,717	-	380,717
Subtotal	8,710,032	(15,836,609)	\$ (7,126,577)	12,961,383	(11,222,856)	\$ 1,738,527
Changes in Proportion	834,793	(1,073,978)		1,111,725	(1,819,796)	
	<u>\$ 9,544,825</u>	<u>\$ (16,910,587)</u>		<u>\$ 14,073,108</u>	<u>\$ (13,042,652)</u>	

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PERS (continued)

Deferred Outflows and Inflows of Resources (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2019	\$ 269,010
2020	(515,032)
2021	(3,324,209)
2022	(2,889,441)
2023	(906,090)
	<u>\$ (7,365,762)</u>

STATE-MANAGED PENSION PLANS – PFRS

Plan Description and Eligibility

The PFRS was established in July, 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firefighters and state police appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership. Significant modifications to enrollment, benefits and eligibility for benefits under the plan were made in 2010 and 2011. These changes resulted in various “tiers” which distinguish period of eligibility for enrollment. The delineation of these tiers is noted as follows:

- Tier 1: Employees enrolled before May 22, 2010.
- Tier 2: Employees enrolled after May 21, 2010 but before June 29, 2011.
- Tier 3: Employees enrolled after June 28, 2011.

There is no minimum salary requirement to enroll, regardless of tier. Pensionable salaries are limited to the social security maximum wage for Tier 2 and 3 employees and federal pensionable maximum for Tier 1 employees. Employees earning over the social security maximum wage are eligible to participate in DCRP for the excess amount.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PFRS (continued)

Plan Benefits

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Contributions and Liability

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and their employers. Such contributions may be amended by State legislation. Employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and non-contributory death benefits. The employee contributions include funding for basic retirement allowances and contributory death benefits. Contributions made by the City and its employees for the previous three years are as follows:

Year Ended December 31,	City Contribution		Base Wages Subject to Contributions	Employee Contributions	
	Amount Paid or Charged	As a Percentage of Base Wages		As a Percentage of Base Wages	Amount Contributed
2018	\$ 11,567,534	29.70%	\$ 38,948,147	10.00%	\$ 3,894,636
2017	10,590,112	25.97%	40,780,333	10.00%	4,078,200
2016	10,525,623	26.25%	40,097,924	10.00%	4,009,792

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PFRS (continued)

Contributions and Liability (continued)

The amounts contributed on behalf of the City under this legislation are considered to be a special funding situation. As such, the State is treated as a non-employer contributing entity. Since the City does not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability to report in the financial statements of the City related to this legislation. However, the notes to the financial statements of the City must disclose the portion of the State's total proportionate share of the collective net pension liability that is associated with the City.

At June 30, 2018 and 2017, the City's net pension liability for PFRS, including the special funding situation described above and changes in the City's proportionate share, was as follows:

Year Ended June 30,	Unit	City (employer)		Net Pension Liability	State of N.J. (nonemployer)	Total
		Proportionate Share			On-Behalf	
		Rate	Change		of City	
2018	Police & Fire	1.22657%	0.02345%	\$ 165,975,642	\$ 22,545,046	\$ 188,520,688
2017	Police & Fire	1.20312%	0.01542%	\$ 185,738,728	\$ 20,804,302	\$ 206,543,030

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability of the as of June 30, 2018 and 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

At:	2018		2017	
	Rate	Amount	Rate	Amount
1% Decrease	5.51%	\$ 222,137,800	5.14%	\$ 244,726,070
Current Discount Rate	6.51%	165,975,642	6.14%	185,738,728
1% Increase	7.51%	119,652,092	7.14%	137,273,919

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PFRS (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2018 and June 30, 2017 measurement dates were determined by actuarial valuations as of July 1, 2017 and 2016, respectively, which were rolled forward to June 30, 2018 and 2017, respectively. These actuarial valuations used the following actuarial assumptions:

	For Measurement Date of:	
	June 30, 2018	June 30, 2017
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	2.10-8.98% based on age	2.10-8.98% based on age
Thereafter	3.10-9.98% based on age	3.10-9.98% based on age
Investment Rate of Return	7.00%	7.00%

Mortality - – For the June 30, 2017 Measurement Date, preretirement mortality rates were based on the RP-2000 Preretirement Mortality Tables projected 13 years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Postretirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Health Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected 13 years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement. The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PFRS (continued)

Actuarial Assumptions (continued)

For the June 30, 2017 Measurement Date, mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year 2014 based on Projection Scale BB. The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018 and 7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS target asset allocations as of June 30, 2018 and 2017 are summarized in the following table.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PFRS (continued)

Actuarial Assumptions (continued)

Asset Class	Target Allocation June 30,		Long-Term Expected Real Rate of Return June 30,	
	2018	2017	2018	2017
Cash	5.50%	5.50%	1.00%	5.51%
Absolute return/risk mitigation	5.00%	5.00%	5.51%	1.00%
U.S. Treasuries	3.00%	3.00%	1.87%	1.87%
Investment Grade Credit	10.00%	10.00%	3.78%	3.78%
Public High Yield	2.50%	2.50%	6.82%	6.82%
Global Diversified Credit	5.00%	5.00%	7.10%	7.10%
Credit Oriented Hedge Funds	1.00%	1.00%	6.60%	6.60%
Debt Related Private Equity	2.00%	2.00%	10.63%	10.63%
Debt Related Real Estate	1.00%	1.00%	6.61%	6.61%
Private Real Asset	2.50%	2.50%	11.83%	11.83%
Equity Related Real Estate	6.25%	6.25%	9.23%	9.23%
U.S Equity	30.00%	30.00%	8.19%	8.19%
Non-U.S. Developed Markets Equity	11.50%	11.50%	9.00%	9.00%
Emerging Market Equities	6.50%	6.50%	11.64%	11.64%
Buyouts/venture Capital	8.25%	8.25%	13.08%	13.08%

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PFRS (continued)

Actuarial Assumptions (continued)

Discount Rate - The discount rate used to measure the total pension liability was 6.51% and 6.14% as of June 30, 2018 and 2017, respectively. This single blend discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.00% as of June 30, 2018 and 2017, respectively, and a municipal bond rate of 3.87% and 3.58% as of June 30, 2018 and 2017, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on the contribution rate in the most recent fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Deferred Outflows and Inflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the years ended June 30, 2018 and 2017:

	June 30, 2018			June 30, 2017		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflow / (Inflow)	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflow / (Inflow)
Changes of Assumptions	\$ 14,246,776	\$ (42,536,692)	\$ (28,289,916)	\$ 22,903,654	\$ (30,418,573)	\$ (7,514,919)
Difference Between Expected and Actual Experience	1,688,586	(686,846)	1,001,740	1,204,964	(1,090,132)	114,832
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(908,037)	(908,037)	3,544,330	-	3,544,330
Subtotal	15,935,362	(44,131,575)	<u>\$ (28,196,213)</u>	27,652,948	(31,508,705)	<u>\$ (3,855,757)</u>
Changes in Proportion	5,896,392	(723,599)		4,332,289	(1,196,536)	
	<u>\$ 21,831,754</u>	<u>\$ (44,855,174)</u>		<u>\$ 31,985,237</u>	<u>\$ (32,705,241)</u>	

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS – PFRS (continued)

Deferred Outflows and Inflows of Resources (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2018	\$ 1,706,913
2019	(3,786,087)
2020	(11,401,388)
2021	(7,157,705)
2022	(2,385,153)
	<u>\$ (23,023,420)</u>

STATE-MANAGED PENSION PLANS - GENERAL

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of several State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The State or local government employers do not appropriate funds to SACT.

The State also administers the Pension Adjustment Fund (PAF) which provides cost of living increases, equal to 60 percent of the change in the average consumer price index, to eligible retirees in all State-sponsored pension systems except SACT. The cost of living increases for PFRS and PERS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for that system.

According to state statutes, all obligations of PERS and PFRS will be assumed by the State of New Jersey should the PERS and PFRS be terminated.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

STATE-MANAGED PENSION PLANS - GENERAL

The State of New Jersey issues publicly available financial reports that include the financial statements and required supplementary information of the PERS and PFRS. This report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Detailed information about the pension plans' fiduciary net position are available in the separately issued financial reports. These reports may be accessed via the New Jersey Division of Pension and Benefits website at www.state.nj.us/treasury/pensions.

STATE-MANAGED PENSION PLANS – DEFERRAL

Legislation, known as Chapter 19 of the Public Laws of 2009 (P.L. 2009, c. 19), was enacted and effective on March 17, 2009 allowing for an adjustment in the contributions that local employers, such as the City, must make to the PERS and PFRS during the year ended June 30, 2009. Under this legislation, local governments were given the option to defer exactly 50% of their required pension contribution as certified by the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits or pay the full amount of the required contribution for the year ended June 30, 2009.

The City elected the 50% deferral in the amount of \$4,568,624. Under the terms of the pension deferral the City is obligated to commence repayment of the entire deferral in 15 amortized annual installments, commencing with the year ended December 31, 2012. These payments will be added to the regular pension bills. The short term liability of the deferral, payable on April 1, 2018, is \$703,635, consisting of \$613,524 on the PFRS deferral and \$90,111 on the PERS deferral.

DEFINED CONTRIBUTION RETIREMENT PROGRAM

The Defined Contribution Retirement Program (DCRP) was established under the provisions of P.L. 2007, Chapters 92 and 103 and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. It provides eligible members with a tax-sheltered, defined contribution retirement benefit along with life insurance and disability coverage.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

DEFINED CONTRIBUTION RETIREMENT PROGRAM (continued)

Individuals eligible for membership in the DCRP include (a) state or local officials elected or appointed or elected to new office on or after July 1, 2007, (b) employees enrolled in PERS on or after July 1, 2007 or PFRS after May 21, 2010 who earn salary in excess of established maximum compensation limits and (c) employees otherwise eligible for PERS on or after November 2, 2008 or PFRS after May 21, 2010 that earn below the minimum PERS or PFRS salary but more than \$5,000 annually. Participation in DCRP can be irrevocably waived if an official earns less than \$5,000.

Vesting occurs upon commencement of the third year of membership. Should the vesting period not be reached, contributions will be refunded to the appropriate contributing parties. Employer matching contributions and earnings are only available after the age of 55. Distributions render the member retired and ineligible for future participation in any State-administered plans. Otherwise, distributions are available at any time as lump sum, fixed term or life annuity.

Members are covered by employer-paid life insurance in the amount of 1 ½ times the annual base salary on which DCRP contributions were based. Members are also eligible for employer-paid long-term disability coverage after one year of participation. Eligibility occurs after six consecutive months of total disability. Members would receive a regular monthly income benefit up to 60% of the base salary on which DCRP contributions were based during the 12 months preceding the onset of the disability, offset by any other periodic benefit the member may be receiving. Benefits will be paid until the age of 70 so long as the member remains disabled and has not begun receiving retirement annuity payments.

The following table represents the City and employee contributions during the previous three years:

Year Ended	Employee Contributions		City Contribution	
	Amount	Rate	Amount	Rate
Dec. 31, 2018	\$ 50,452	5.5%	\$ 29,122	3.0%
Dec. 31, 2017	53,390	5.5%	29,122	3.0%
Dec. 31, 2016	52,499	5.5%	28,636	3.0%

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE F. RETIREMENT SYSTEMS AND DEFERRED COMPENSATION (continued)

DEFERRED COMPENSATION PLAN (unaudited)

The City has established a deferred compensation program (the “plan”) for its employees under Section 457 of the Internal Revenue Code. The plan is comprised of several separate plans, all of which are Public Employees' Deferred Compensation Plans, covering employees and elected officials who perform services for the City. One plan is underwritten by The Hartford Financial Services Group, Inc. (now called Mass Mutual), the others by Variable Annuity Life Insurance Company (“VALIC”), AXA Equitable, ING (now called VOYA) and the Metropolitan Life Insurance Company.

The Plans are a tax-deferred supplemental retirement program that allows City employees to contribute a portion of their salaries, before federal taxes, to a retirement account. Contributions, or deferrals, are made through payroll deductions. Individuals are 100% vested. Distributions are not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely property and rights of the individual contributors and are not subject to the claims of the City's general creditors.

NOTE G. POST-EMPLOYMENT BENEFITS

POST-EMPLOYMENT BENEFITS PLAN

Plan Description – The City contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 1964, the City authorized participation in the SHBP's post-retirement benefit program. The City currently provides lifetime medical benefits to City employees who retire from the City under the following conditions: (a) after twenty five years of service with the City, or (b) upon a disability retirement. Coverage is also provided for eligible family members of the employee and paid by the City for the life of the retiree.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE G. POST-EMPLOYMENT BENEFITS (continued)

POST-EMPLOYMENT BENEFITS PLAN (continued)

Retirees receiving these benefits have deducted from their monthly pension payments the cost of their health benefits. The City reimburses employees for the cost of their post-employment benefit plans in amounts dependent on the contract on which the employee retires. Due to this arrangement, valuation reports prepared by the State of New Jersey to allocate each participating local government's share of the post-employment benefit liability do not include a liability for the City of Bayonne. However, former employees of the dissolved Bayonne Municipal Utilities Authority (BMUA) do not have retiree health benefit premiums deducted from their pensions. Because of the dissolution, the City has assumed all BMUA liabilities. The City's share of the OPEB liability noted in the paragraphs that follow represent the liability arising from the former BMUA employees.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions.

Funding Policy – Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the City on a monthly basis.

Chapter 78, P.L. 2011, effective June 28, 2011, established new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. For those employed on or after June 28, 2011, the 4-year phase-in does not apply and contributions based on the full percentage rate of contribution are required. Under Chapter 78, certain future retirees eligible for employee-paid health care coverage at retirement will also be required to pay a percentage of the cost of their medical coverage determined on the basis of their annual retirement benefit. This legislation expired on 12/31/16 and has not been renewed.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE G. POST-EMPLOYMENT BENEFITS (continued)

POST-EMPLOYMENT BENEFITS PLAN (continued)

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, (“GASB 75”), is effective for fiscal years beginning after June 15, 2017, and replaces the requirements of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pensions*. Under GASB 75, the City would recognize the cost of other postemployment benefits (OPEB) in the year when the employee services are received and report the accumulated liability for OPEB on the face of its financial statements. Under the regulatory basis of accounting prescribed by the Division, the City is not required to recognize the cost of OPEB in the year when the employee services were received, or report the accumulated liability on the face of its financial statements. However, disclosure of such amounts is required.

Retiree Contributions – Future retirees who do not fall under the grandfathering provisions of Chapter 78 of the 2011 Pension and Health Benefit Reforms will be required to contribute to the costs of their retiree health care. Participant contributions are based on salary level and pension benefit amounts and are phased in as a percentage based on salary or pension earnings. Grandfathered participants include those with greater than 20 years of service as of June 28, 2011 who retire with 25 years of service with the City, or who reached age 62 as of that date with 15 years of service will receive benefits at no cost to the participant.

Net OPEB Obligation – The components of the net OPEB liability of the City at June 30, 2018 was as follows:

	<u>2018</u>
City's Share of:	
Total OPEB Liability	\$ 1,079,767
OPEB Plan fiduciary net position	<u>20,860</u>
Net OPEB liability	<u>\$ 1,058,907</u>
 Plan fiduciary net position as a percentage of total OPEB liability	 1.97%

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE G. POST-EMPLOYMENT BENEFITS (continued)

POST-EMPLOYMENT BENEFITS PLAN (continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017 which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>2018</u>
Inflation Rate	2.50%
Salary increases:	
Through 2026	1.65% to 8.98%
Thereafter	2.65% to 9.98%

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan- the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

100% of active members are considered to participate in the Plan upon retirement.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE G. POST-EMPLOYMENT BENEFITS (continued)

POST-EMPLOYMENT BENEFITS PLAN (continued)

Health Care Trend Assumptions – For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare advantage trend rate is 4.5% and will continue in all future years.

Discount Rate – The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the City's share of the SHBP net OPEB liability as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the net OPEB liability would be if it was calculated using discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

At:	2018	
	Rate	Amount
1% Decrease	2.87%	\$ 1,242,378
Current Discount Rate	3.87%	1,058,907
1% Increase	4.87%	912,355

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE G. POST-EMPLOYMENT BENEFITS (continued)

POST-EMPLOYMENT BENEFITS PLAN (continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the City's net OPEB liability as of June 30, 2018, calculated using the Healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>2018</u>
At:	
1% Decrease	\$ 883,298
Current Discount Rate	1,058,907
1% Increase	1,286,171

Deferred Outflows and Deferred Inflows of Resources

The OPEB expense and deferred outflows and deferred inflows of resources at June 30, 2018 were as follows:

	<u>June 30, 2018</u>		
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflow / (Inflow)</u>
Changes of Assumptions	\$ -	\$ (268,606)	\$ (268,606)
Difference Between Expected and Actual Experience	-	(214,996)	(214,996)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	560	-	560
Changes in Proportion	-	(818,508)	(818,508)
	<u>\$ 560</u>	<u>\$ (1,302,110)</u>	<u>\$ (1,301,550)</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE G. POST-EMPLOYMENT BENEFITS (continued)

POST-EMPLOYMENT BENEFITS PLAN (continued)

The amounts reported as a deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2019	\$ (182,228)
2020	(182,228)
2021	(182,228)
2022	(182,228)
2023	(182,368)
Thereafter	<u>(390,268)</u>
	<u><u>\$ (1,301,550)</u></u>

OPEB Expense

The components of allocable OPEB expense, which exclude OPEB expense related to specific liabilities of individual employers, for the year ending June 30, 2018 are as follows:

	<u>2018</u>
Proportionate Share of Allocable	\$ 41,212
Allocable Plan OPEB Expense	
Net Amortizations of Deferred	
Amounts from Changes in Proportion	<u>(131,121)</u>
OPEB Expense	<u><u>\$ (89,909)</u></u>

Special Funding Situation

In regards to the City's enrollment in the SHBP, under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE G. POST-EMPLOYMENT BENEFITS (continued)

POST-EMPLOYMENT BENEFITS PLAN (continued)

Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a non-employer contributing entity. Since the City does not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. The State's share of the net OPEB liability associated with the City is \$75,442,659, which represents 345 plan members, constituting 1.214106% of the State's total proportionate share of net OPEB liability.

NOTE H. COMPENSATED ABSENCES

Employees may accumulate unlimited sick time. Upon retirement, union employees with a minimum of 100 accrued sick days may receive a cash payment of one-third of accumulated sick time up to a maximum of \$12,500. Employees may carry vacation over for only one year. Upon termination or retirement, employees may receive a cash payment for the full value of their accumulated vacation time.

As of December 31, 2018 and 2017, the total accumulated absence liability was \$6,010,175 and \$6,198,769, respectively. No funds are reserved for accumulated absences, however, the City budgets compensated absence appropriations annually in the applicable department line items.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE I. RISK MANAGEMENT

Insurance Coverage

The City is exposed to various property and casualty risks including: property damage caused to any of the City's property, motor vehicles, equipment or apparatus; liability resulting from the use or operation of such motor vehicles, equipment apparatus; liability from the City's negligence, including that of its officers, employees and servants; and workers' compensation obligations.

The City established a self-insurance program in accordance with New Jersey Statute Chapter 40:10-6. The Chapter enables the governing body of any local unit to create a fund to provide insurance coverage for its exposure to a wide variety of property casualty risks, including property damage caused to any of the unit's property, motor vehicles, equipment or apparatus; liability resulting from the use or operation of such motor vehicles, equipment or apparatus; liability for the unit's negligence, including that of its officers, employees and servants and workers' compensation obligations.

On August 17, 2011, the City authorized participation in and the execution of an Indemnity and Trust Agreement with the New Jersey Intergovernmental Insurance Fund (the "NJIF") for the provision of property and casualty insurance coverage. The NJIF is a public entity created in 1991 and offers coverage to municipalities, counties, and school districts statewide. The NJIF is a New Jersey approved, self-insured, reinsured public entity insurance pool which offers all New Jersey public entities multiple lines of insurance.

The City has obtained the following coverage through the NJIF:

- Equipment Breakdown coverage in the amount of \$100,000,000.
- Crime coverage including employee dishonesty, forgery, alterations, theft, robbery and fraud in the amount of \$1,000,000.
- Environmental Impairment coverage in the amount of \$20,000,000.
- Workers' Compensation coverage in the amount of \$2,000,000.
- General, Automobile and Employee Benefits liability coverage in the amount of \$15,000,000.
- Public Entity Management Liability coverage, including Public Official's Liability and Employment Practices Liability coverage, in the amount of \$10,000,000.
- Surety bonds for the City Treasurer, Chief Financial Officer, Tax Collector and Municipal Court Judges.

Disaster Recovery

The City does not have a formal disaster recovery plan in place, however, all financial data is backed up to hard disks daily.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE J. STATE AID RECEIVABLE – QUALIFIED BONDS

The Division required municipalities reverting to a calendar year to anticipate a full year of State Aid during the six month transition year. The City receives State Aid in two forms: cash payments and qualified bond payments in lieu of direct aid in cash. Qualified bonds are State Aid payments withheld by the State and forwarded directly to paying agents for principal and interest payments on the bonds. During the transition year ended December 31, 2011, the City certified qualified bond maturity schedules for the twelve month period of July 1, 2011 to June, 30, 2012, six months beyond the end of the transition year. As a result, the City recognized State Aid revenues in the amount of \$3,357,695 for debt service payments of the succeeding year, resulting in prepaid debt service at year end.

The following schedule summarizes the State Aid received, qualified bond payments applied and the prepaid amounts as of December 31, 2018 and 2017.

STATE AID RECEIVABLE - QUALIFIED BONDS		
	Year Ended Dec. 31, 2018	Year Ended Dec. 31, 2017
Beginning Balance	\$ 2,355,290	\$ 2,478,858
Add: State Aid (1)	8,829,801	8,829,801
	<u>11,185,091</u>	<u>11,308,659</u>
Less Received in Cash	\$ 1,444,896	\$ 1,925,970
Qualified Bond Payments	<u>7,344,246</u>	<u>7,027,399</u>
	<u>8,789,142</u>	<u>8,953,369</u>
Ending Balance	<u><u>\$ 2,395,949</u></u>	<u><u>\$ 2,355,290</u></u>

NOTE K. CLEARING ACCOUNT

The City maintains a claims account, or a cash clearing bank account, from which bills are paid for various funds.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE L. FIXED ASSETS

In accordance with accounting practices prescribed by the Division, and as further detailed in Note A, no depreciation has been provided for and fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

Fixed assets were not updated by the City for the year ended December 31, 2018, therefore there is no activity to report. The City had the following investment balances in general fixed assets for and as of the year ended December 31, 2018.

	Balance, Dec. 31, 2017	Balance, Dec. 31, 2018
Land	\$ 166,394,147	\$ 166,394,147
Buildings	10,233,265	10,233,265
Improvements	93,129,774	93,129,774
Machinery, Equipment and Other	22,680,578	22,680,578
	<u>\$ 292,437,764</u>	<u>\$ 292,437,764</u>

NOTE M. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

There were certain prior year bills that were not appropriated for. As of December 31, 2018, the following deferred charges are shown on the balance sheets of the Current Fund:

	Balance, Dec. 31, 2017	Budget Appropriations		Balance, Dec. 31, 2018
		Current Year	Prior Year	
Loans Payable	\$ 202,391	\$ 26,505	\$ 71,647	\$ 104,239
Tax Map	217,150	43,430	-	173,720
	<u>\$ 419,541</u>	<u>\$ 69,935</u>	<u>\$ 71,647</u>	<u>\$ 277,959</u>

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE N. INTERFUND TRANSACTIONS

The City has various transactions by and between its individual funds. Certain accounts of the Trust and Capital Funds earn interest which is required to be recorded as revenue in the Current Fund budget. Other transactions include budget appropriations in the Current Fund which are required to be turned over to the Federal and State Grant, Trust and Capital Funds. All these transfers are routine and are consistent with the activities of the funds making the transfers.

Current Fund and Parking Utility Operating interfunds receivable are fully reserved and recognized as credits to operations in the year the interfunds are received in cash. Interfunds receivable in the Trust Funds, General Capital Fund and Parking Utility Operating Fund are not reserved.

The City expects all balances to be repaid by year-end with the exception of the interfund between the Current Fund and Federal and State Grants Fund. The Federal and State Grants Fund does not have its own bank account, therefore, the activity of the Fund is run through the Current Fund.

As of and during the year ended December 31, 2018, the Current Fund had the following interfund activity and receivable/payable balances at year end:

	General Capital Fund	Grants Fund	Other Trust Fund	Utility Operating Fund	Tax Lien Redemption Trust Fund	Dog Trust Fund	Housing & Urban Development Grant Fund
Balance: December 31, 2017	\$ 24,229	\$ (758,236)	\$ 20,492	\$ (300,941)	\$ (4,206)	\$ 35,611	\$ -
Increased by:							
Grants Appropriation	-	2,868,335	-	-	-	-	-
Statutory Excess	-	-	-	-	-	11,490	-
Appropriation Cancelled	-	219,196	-	-	-	-	-
Revenue Realized	-	351,515	120,000	-	-	-	-
Cash Disbursements	367,845	3,276,344	570,712	1,063,329	4,206	-	163,400
	<u>392,074</u>	<u>5,957,154</u>	<u>711,204</u>	<u>762,388</u>	<u>-</u>	<u>47,101</u>	<u>163,400</u>
Decreased by:							
Grant Revenue	-	2,868,335	-	-	-	-	-
Budget Appropriation - Capital Improvement	100,000	-	-	-	-	-	-
Receivable Cancelled	-	224,783	-	-	-	-	-
Reserve for Other	163,413	-	113,392	-	-	-	-
Premium on Sale of Bonds and Notes	220,544	-	-	-	-	-	-
Cash Receipts	-	4,165,179	-	751,695	-	18,709	-
	<u>483,957</u>	<u>7,258,297</u>	<u>113,392</u>	<u>751,695</u>	<u>-</u>	<u>18,709</u>	<u>-</u>
Balance: December 31, 2018	<u>\$ (91,883)</u>	<u>\$ (1,301,143)</u>	<u>\$ 597,812</u>	<u>\$ 10,693</u>	<u>\$ -</u>	<u>\$ 28,392</u>	<u>\$ 163,400</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE N. INTERFUND TRANSACTIONS (continued)

In addition to the Current Fund interfund activity noted on the previous page, the City also had the following interfund activity and balances as of and for the year ended December 31, 2018:

	Utility Capital
Due to Utility Capital Fund at Dec. 31, 2017	\$ 397,920
Increased by:	
Cash receipts	896
Budget Appropriation:	
Capital Improvement Fund	50,000
	448,816
Decreased by:	
Cash Disbursements	452,393
Due from Utility Capital Fund at Dec. 31, 2018	\$ (3,577)

NOTE O. RELATED PARTY TRANSACTIONS

SHARED SERVICE AGREEMENTS

Bayonne Board of Education

The City has an agreement with the Bayonne Board of Education in which the City is to receive reimbursement for garbage contracts. As of December 31, 2018 and 2017, the City has receivables from the Bayonne Board of Education of \$104,000 and \$52,000. This receivable is part of the revenue accounts receivable identified on the balance sheet and has been fully reserved.

As described in Note D, prior to January 2015 the Bayonne Board of Education was a Type I School District, therefore, bonds and notes authorized by the Board of Education are general obligations of the City and are reported on the balance sheet of the City's General Capital Fund and are accordingly included in the summary of municipal debt. The City budgets the principal and interest payments of the Board of Education's obligations as they become due. These obligations are funded by the City through an amount to be raised by taxation called "addition to local district school tax", less any regular school debt service aid received from the State of New Jersey.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE O. RELATED PARTY TRANSACTIONS (continued)

Bayonne Board of Education (continued)

For the year ended December 31, 2018 and 2017, the City's budget included the following debt service requirements of the Board of Education:

	Year Ended	
	Dec. 31, 2018	Dec. 31, 2017
Debt Service Requirements of the Board of Education:		
Payment of Bond Principal	\$ 6,755,362	\$ 6,379,817
Interest on Bonds	3,866,144	3,852,977
Balance for Support of Board of Education:		
Addition to Local District School Tax	<u>\$ 10,621,506</u>	<u>\$ 10,232,794</u>

The City's Parking Utility Fund has a payable due to the Board of Education of \$450,000 for the acquisition of a parking lot.

NOTE P. REVENUE ACCOUNTS RECEIVABLE

Revenue accounts receivable are fully reserved receivables due from entities for revenues anticipated in support of the City's budget. The following table illustrates activity of the beginning and ending revenue accounts receivable balances for the year ended December 31, 2018:

	Balance Dec. 31, 2017	Current Year Accruals	Collections	Balance Dec. 31, 2018
Fines and Costs - Municipal Court	\$ 292,952	\$ 2,138,547	\$ 2,138,547	\$ 292,952
Payments in Lieu of Taxes				
Bayonne Housing Authority	350,000	312,590	312,590	350,000
BHA Post Road Gardens	57,192	-	-	57,192
Senior Horizons of Bayonne	49,641	49,889	49,889	49,641
Bayonne Community Action	7,000	10,911	10,911	7,000
Reimbursement for:				
Bayonne BOE Garbage Contract	52,000	52,000	-	104,000
Forestry Expenses	175,000	-	-	175,000
Municipal Debt Service	42,500	42,500	-	85,000
	<u>\$ 1,026,285</u>	<u>\$ 2,606,437</u>	<u>\$ 2,511,937</u>	<u>\$ 1,120,785</u>

(1) The receivables are further discussed in Note O.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE Q. ECONOMIC DEPENDENCY

Major Taxpayers

The City does not have significant economic dependence on any one taxpayer. Below, the ten largest taxpayers of the City is listed based on largest tax assessment.

Top 10 Taxpayers	
Name	Assessment
Bayonne Industries Inc/IMTT	\$ 116,806,400
Bayonne Auto Terminal, LLC	23,095,700
Gordon Terminal Serv Co of NJ Inc	13,453,500
Texaco Downstream Properties Inc.	12,388,300
Exxon Corporation	12,291,000
Bayonne Bay Dvlprs Urbn Rnwl, LLC	12,233,600
NJIND Hook Road, LLC	9,000,000
MPT of Bayonne, LLC	8,000,000
Buckeye Bayonne Terminal LLC	7,800,000
South Cove Development, LLC	7,294,100
	<u>\$ 222,362,600</u>

Peninsula at Bayonne Harbor

The City has relied on many one-time revenues and structural imbalance offsets to balance their budget.

Since the BLRA was dissolved, the City will be receiving annual payments from the Port Authority of \$5,000,000 in 2018 and annual payments of \$5,000,000 from 2019 through 2024. Originally, the deal was for the City to receive annual payments of \$5,000,000 through the year 2033. In 2016 the City finalized an agreement that they would sell off nine years worth of payments to a third party in order to fill an unexpected budget gap. The City received \$27,317,407 in 2016.

The City plans to make use of funding from Spectra Energy, Bayonne Energy Center, new PILOTs, fund balance, and the continued sale of property and development at the Peninsula at Bayonne Harbor to provide additional revenues.

Taking into consideration legislation capping the City's ability to increase its tax levy, the impact on the City's operations would be significant should the City be unable to obtain adequate replacement revenues.

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE Q. ECONOMIC DEPENDENCY (continued)

In the 2018 budget, the City included the sale of municipal owned land of \$6,050,000, which is a one-time revenue, and budgeted \$12,500,000 in surplus which the City believes will be regenerated through its 2018 operations. The City realized \$25,181,501 of revenue from the sale of municipal owned land in 2018.

State Aid

The City is also a recipient of State Aid. During the year ended December 31, 2018 and 2017, State Aid accounted for 5.7% and 5.7%, respectively, of the support the City's budget. Significant changes in State Aid policy, in conjunction with legislation capping increases to the tax levy, could further impact the City's operations.

NOTE R. LEASE/LOAN COMMITMENTS

In 2004, the City entered into a financing lease with the Hudson County Improvement Authority in the amount of \$10,000,000 to fund improvements to the City's public works garage. On June 24, 2015 the City refunded the remaining \$8,300,000 and entered into a new financing lease with the Hudson County Improvement Authority in the amount of \$8,850,000. The minimum future lease payments are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 340,000	\$ 351,400
2020	355,000	339,200
2021	365,000	324,800
2022	380,000	309,900
2023	395,000	294,400
2024-2028	2,240,000	1,194,713
2029-2033	2,840,000	570,863
2034	660,000	17,737
	<u>\$ 7,575,000</u>	<u>\$ 3,403,013</u>

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE R. LEASE/LOAN COMMITMENTS (continued)

On May 15, 2012, the City entered into a loan agreement with the Bayonne City Federal Credit Union for a fire truck. The loan was in the amount of \$177,028 bearing an interest rate of 5.25% for 10 years. The minimum future loan payments are as follows:

Year Ended December 31,	Principal	Interest
2019	\$ 19,522	\$ 3,269
2020	20,565	2,226
2021	21,678	1,113
2022	9,373	123
	<u>\$ 71,138</u>	<u>\$ 6,731</u>

On August 9, 2012, the City entered into a loan agreement with the Bayonne City Federal Credit Union for a rescue vessel. The loan was in the amount of \$77,187 bearing an interest rate of 5.25% for 10 years. The minimum future loan payments are as follows:

Year Ended December 31,	Principal	Interest
2019	\$ 8,408	\$ 1,537
2020	8,856	1,088
2021	9,336	609
2022	6,501	128
	<u>\$ 33,101</u>	<u>\$ 3,362</u>

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE R. LEASE/LOAN COMMITMENTS (continued)

On February 19, 2015, the City entered into a loan agreement with the Bayonne City Federal Credit Union for eight police vehicles. The loan was in the amount of \$309,002 bearing an interest rate of 3.25% for 4 years. The minimum future loan payments are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 4,820	\$ 53
	<u>\$ 4,820</u>	<u>\$ 53</u>

On September 29, 2016, the City entered into a loan agreement with the Bayonne City Federal Credit Union for ten police vehicles. The loan was in the amount of \$378,696 bearing an interest rate of 2.99% for 4 years. The minimum future loan payments are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 91,097	\$ 3,577
2020	<u>70,126</u>	<u>879</u>
	<u>\$ 161,223</u>	<u>\$ 4,457</u>

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE S. TAX ABATEMENTS

The City negotiates property tax abatement agreements on an individual basis.

Purpose of Agreements	Taxing Government	Taxes if Billed at Full 2018 Tax Rate	Received for Payments in Lieu of Taxes & Land Tax	Payments to Other Governments	Taxes Abated		Aggregate Reduction of Government Revenue
					Amount	(%)	
Construction of Commercial and Residential Redevelopment Projects, Low and Moderate Income Housing Projects and Relocation Projects	School	\$ 8,059,066	\$ -	\$ -	\$ 8,059,066	100%	\$ -
	County	2,774,506	-	138,725	2,635,781	95%	-
	City	8,121,818	6,940,400	(138,725)	1,320,143	16%	-
	Total	<u>\$ 18,955,390</u>	<u>\$ 6,940,400</u>	<u>\$ -</u>	<u>\$ 12,014,990</u>	<u>63%</u>	<u>\$ -</u>
	Budget Revenues		\$ 6,930,400				
	Non-Budget Revenues		<u>10,000</u>				
			<u>\$ 6,940,400</u>				

The full amount to be raised by taxes for support of each Government's budget is levied on properties not subject to such agreements, therefore there is no aggregate reduction of tax revenue to the Governments as a result of the abatement.

These agreements were negotiated under the Long Term Tax Exemption Law, N.J.S.A. 40A:20-1 et seq. (the Law), which authorizes municipalities to enter into financial agreements with Urban Renewal Entities. An Urban Renewal Entity is a limited-dividend entity or a nonprofit entity which undertakes redevelopment projects (both commercial and residential), relocation projects for residents displaced by the redevelopment area, and low and moderate income housing projects in return for tax exemptions, or payments in lieu of taxes referred to as "annual service charges".

The Law allows annual service charges to be calculated as a percentage of either gross revenue from each unit of the project or from total project cost, if the project is not undertaken in units. In the case of low and moderate income housing projects, the annual service charge shall not exceed 15% of annual gross revenue or 2% of total project cost. For all other projects, the annual service charge shall not be less than 10% of annual gross revenue or 2% of total project cost. The City's abatements are across in multiple categories. There are a total of five stages in the abatement period. The final four phases require the Urban Renewal Entity to remit the greater of the agreed upon annual service charge or 20%, 40%, 60% and 80%, respectively, of the amount of taxes otherwise due on the value of the land and improvements.

The Law only allows for taxes on improvements to be abated. Taxes on land are billed quarterly to the Urban Renewal Entity and are credited against the annual service charges due. To administer the billing, the land value and improvement value of the abated property are separate line items in the tax assessment and collection records. The land value is billed quarterly at the total property tax rate. The improvement value is classified as exempt property (Class 15F), generating no bill.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE S. TAX ABATEMENTS (Continued)

Under the Law, abatements may provide for an exemption period of less than 30 years from the completion of the entire project or less than 35 years from the execution of the financial agreement. Further, Urban Renewal Entity profits are restricted and any excess profits are payable to the municipality as an additional annual service charge.

The Law does not provide for the recapture of abated taxes in the event an abatement recipient does not fulfill the commitment it makes in return for the tax abatement. However, in the event of default, the City has the right to proceed against the property pursuant to the In Rem Tax Foreclosure Act, N.J.S.A. 54:5-1 and/or may terminate the agreement. The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not subject to any tax abatement agreements entered into by other governmental entities.

NOTE T. CONTINGENT LIABILITIES

The Water/Sewer System

In December 2012, the City of Bayonne and the Bayonne MUA entered into a Concession Agreement with Bayonne Joint Venture, LLC (“BJV”), a for-profit entity, whereby BJV acquired a 40 year concession to use, operate, manage, construct, maintain and improve its water system. As such, BJV is responsible for all expenses of operations of the Bayonne water system, including payments to the Commission of its share of the operating expenses and debt service on behalf of Bayonne. Nonetheless, under its water supply agreement, the City of Bayonne remains responsible to the Commission in case of any shortfall of operating or debt service payments from BJV. As described in Note A, the BMUA is considered a component unit of the City until it was dissolved on December 31, 2016.

From its inception through the date the BMUA was dissolved, the agreement has never been called upon by the BMUA.

Redeveloper Agreement

On February 20, 2013, the City adopted an ordinance approving a financial instrument and authorizing the execution thereof and other applicable documents related to the issuance by the City of Bayonne of \$17,500,000 Redevelopment Area Bonds (non-recourse to the full faith and credit of the City of Bayonne) and determining various other matters in connection therewith. This ordinance was adopted to assist Prince Holdings of Bayonne Urban Renewal Enterprise, LLC (the “Redeveloper”) in financing the development, design, finance and construction of approximately 250,000 square feet of industrial warehouse space and associated loading docks and parking, infrastructure improvements and related site work (the “Project”).

CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE T. CONTINGENT LIABILITIES (continued)

To assist the Redeveloper in financing the Project costs as set forth in the redevelopment agreement, the City, as redevelopment entity, will issue bonds pursuant to the Redevelopment Area Bond Financing Law, N.J.S.A. 40A:12-64, et seq. Pursuant to the Bond Financing Law, the City intends to pledge, to the extent required, the annual service charges paid to the City by the Redeveloper for debt service on the Bonds provided, however, that five percent (5%) of the annual service charges shall not be subject to such pledge in accordance with N.J.S.A. 40A:20-12 (the "County Share"). The City and the Redeveloper have agreed that any portion of the annual service charges paid by the Redeveloper to the City in excess of the amount needed to pay the County Share and Debt Service on the bonds shall be returned to the City and retained and used by the City for any lawful purpose.

Tax Appeals

The City is a defendant in various tax appeals that they are defending vigorously. The tax appeals it is currently defending are not unusual for a municipality of its size. In the past, the City has funded these appeals through various means, including utilizing the reserve for tax appeals account, which is funded through budget appropriations, issuing refunding notes to pay for the appeals, direct appropriations and charges to operations. The Local Finance Board has allowed the City to issue tax refunding obligations to finance the tax refunds. They are renewable annually for five to seven years after their date of issuance, with the amortization schedule approved by the Local Finance Board.

During the year ended December 31, 2018, the City renewed previously issued tax refunding notes. Also during the year ended December 31, 2018, the City funded additional appeals by appropriating and expending \$700,000 in the current budget and charging \$311,544 to improvement authorizations in the general capital fund.

Arbitrage Rebate

The City is subject Section 148 of Internal Revenue Code, which was enacted to minimize the arbitrage benefits from investing gross proceeds of tax-exempt bonds in higher yielding investments and to remove the arbitrage incentives to issue more bonds, to issue bonds earlier, or to leave bonds outstanding longer than is otherwise reasonably necessary to accomplish the governmental purposes for which the bonds were issued.

Affordable Housing

The State has passed legislation which would seize uncommitted affordable housing funds from municipalities. After rounds of appeals and court orders, the Appellate Division has ruled that the State can seize such funds, assuming proper notice and the ability for municipalities to contest the State's findings are provided. The extent of the City's Affordable Housing funds subject to seizure by the State, if any, is uncertain. As of December 31, 2018 and 2017, the City had balances of \$1,098,136 and \$609,382, respectively, in its Affordable Housing Trust.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE T. CONTINGENT LIABILITIES (continued)

Grant Programs

The City participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. The state and federal grants received and expended in the year ended December 31, 2018 were subject to the Uniform Guidance and State of New Jersey OMB Circular 15-08 which mandates that grant revenues and expenditures be audited in conjunction with the City's annual audit. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives.

As the result of an audit of the City's Community Development Block Grant (CDBG), the U.S. Department of Housing and Urban Development (HUD) notified the City during the transition year ended December 31, 2011 that certain costs of the program would be disallowed. The City was required to re-program an amount equal to the disallowed costs, \$515,601, from the City's own resources and operations.

In addition, documentation supporting the costs of CDBG program's 2012 expenditures were not available for audit review as said documents were seized by federal law enforcement agencies for confidential investigation. As such, our audits questioned \$2,411,226 of combined CDBG and emergency shelter grant expenditures. As of the date of this audit, the City's liability, if any, cannot be determined.

Litigation

The City is a defendant in various lawsuits, none of which is unusual for a municipality of its size and should be adequately covered by the City's insurance program, defense program or by the City directly and which may be settled in a manner satisfactory to the financial stability of the City. It is anticipated that any judgments in excess of insured coverage would be paid by the City through future taxation or future debt borrowing. The following litigation was identified for potential of significant exposure to the City:

Matter of F.S. v. City - On or about August 10, 2017, the City received a demand for defense by a Police Officer (F.S.) in the matter of United States of America v. F.S., Federal Indictment No. 17-178. The City and the NJIIF took the position that there was no obligation to provide a defense as it was a criminal matter. The Indictment resulted in a hung jury and the U.S. Attorney's Office eventually dismissed the Indictment with prejudice. The Officer has made a demand for reimbursement of attorney's fees and costs in the amount of \$820,203 pursuant to N.J.S.A. 40A: 14-155 et seq. The statute would require the City to reimburse F.S.'s legal costs and fees if he can demonstrate that his actions were the result of a mistake or negligence and not borne of an ulterior illegal goal to prevent law enforcement from discovering the true facts and thwart an investigation and possible charges stemming from his conduct or the conduct of the other officers on scene. This would involve retrying the case in a civil forum.

**CITY OF BAYONNE
NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE T. CONTINGENT LIABILITIES (continued)

The City tendered the claim to the NJIIF who have agreed to provide the City with a defense under a reservation of rights. The City is prepared to bring a coverage action against the NJIIF in the event coverage is terminated, including the withdraw of a defense during the course of litigation or denial of indemnification. The City will incur expenses should it be forced to take over the defense and/or litigate a coverage action against the NJIIF. Moreover, if F.S. succeeds in proving his actions did not rise above mere negligence, and the NJIIF prevails in a coverage action, the City may be required to reimburse defense costs to the NJIIF and will incur substantial indemnification costs as well, potentially close to \$1,000,000 aggregate.

In addition, the City, its officers and employees are defendants in a number of lawsuits including, but not limited to, lawsuits alleging employment discrimination and alleged violations of civil rights.

NOTE U. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 5, 2019 the date which the financial statements were available to be issued. Material events are disclosed as follows:

Guaranteed Pooled Notes, Series 2019B - On May 24, 2019, the City issued notes through the Hudson County Improvement Authority's (HCIA's) County-Guaranteed pooled notes programs as follows, consisting of: \$4,321,000 Tax Exempt County Guaranteed Pool Notes Series 2019B-1 maturing May 22, 2020 at an interest rate of 3.0%; and \$27,026,000 Federally Taxable County Guaranteed Pool Notes Series 2019B-2A maturing May 22, 2020 at an interest rate of 3.5%.

Guaranteed Pooled Notes, Series 2019C – On August 22, 2019, the HCIA received approval from the Local Finance Board for the issuance of additional County Guaranteed Pooled Notes, Series 2019C, which include \$6,725,000 of anticipated notes expected to be sold by the City.

APPENDIX C

FORM OF APPROVING LEGAL OPINION FOR THE BONDS

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A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
Riverview Plaza
10 Highway 35
Red Bank, NJ 07701-5902
732-268-8000
FAX 732-345-8420

May 11, 2020

Mayor and Council of the
City of Bayonne
Bayonne, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery of \$_____ Federally Taxable General Improvement Bonds, Series 2020 (the "Bonds") of the City of Bayonne, in the County of Hudson, a body politic and corporate of the State of New Jersey (the "City").

The Bonds are authorized by and are issued pursuant to the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), a bond ordinance duly adopted by the City Council of the City and published as required by law, and a resolution duly adopted by the City Council of the City on April 15, 2020.

The Bonds are being issued to permanently finance \$27,026,000 of taxable notes of the City issued on May 24, 2019 and maturing on May 22, 2020, previously issued for the payment of certain obligations of the Bayonne Redevelopment Authority.

The Bonds are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of the Bonds of each series maturing in each year. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal denominations of \$5,000 or any integral multiple thereof, except that those Bonds in excess of the largest principal amount thereof not equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the City as Paying Agent (or a duly appointed Paying Agent) directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of the DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semiannually on the first day of February and August (each

an "Interest Payment Date"), commencing February 1, 2021, in each year until maturity or prior redemption, as applicable.

The Bonds shall mature on February 1 in each of the years, in the principal amounts and at the interest rates as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021	\$750,000		2036	\$ 750,000	
2022	750,000		2037	750,000	
2023	750,000		2038	785,000	
2024	750,000		2039	825,000	
2025	750,000		2040	870,000	
2026	750,000		2041	915,000	
2027	750,000		2042	965,000	
2028	750,000		2043	1,020,000	
2029	750,000		2044	1,075,000	
2030	750,000		2045	1,135,000	
2031	750,000		2046	1,195,000	
2032	750,000		2047	1,260,000	
2033	750,000		2048	1,335,000	
2034	750,000		2049	1,410,000	
2035	750,000		2050	1,486,000	

The Bonds are subject to optional redemption prior to their stated maturities.

We have examined such matters of law, certified copies of the proceedings, including all authorization proceedings for the Bonds, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that (i) such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the New Jersey Statutes, (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the City enforceable in accordance with their terms, and (iii) the City has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and, unless paid from other sources, all the taxable property within the City

is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

In our opinion, under existing law, statutes, regulations, rulings and court decisions interest on the Bonds is includable in the gross income of the owners of the Bonds for Federal income tax purposes.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

Except as stated in the preceding two (2) paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined one of the Bonds, as executed by the City, and, in our opinion, the form of such Bond and its execution are regular and proper.

We express no opinion as to any matter not set forth above. The opinions expressed above are being rendered on the basis of federal law and the laws of the State of New Jersey as presently enacted and construed, and we assume no responsibility to advise any party as to changes in fact or law subsequent to the date hereof that may affect the opinions expressed above.

This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

This letter is being provided for your exclusive benefit pursuant to the requirements of the closing of the Bonds and may not be provided to (except in connection with the preparation of a closing transcript with respect to the Bonds) or relied upon by any other person, party, firm or organization without our prior written consent. Notwithstanding anything to the contrary herein, the undersigned acknowledges that this opinion is a governmental record subject to release under the

Mayor and Council of the
City of Bayonne
May 11, 2020
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New Jersey Open Public Records Act, N.J.S.A. 47:1A-1 *et seq.*, as amended and supplemented.

Very truly yours,

ARCHER & GREINER P.C.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

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FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate dated as of May 11, 2020 (the "Disclosure Certificate") is executed and delivered by the City of Bayonne, in the County of Hudson, State of New Jersey (the "City" or the "Issuer") in connection with the issuance of its \$_____ aggregate principal amount of Federally Taxable General Improvement Bonds, Series 2020 (the "Bonds"), all such Bonds being dated May 11, 2020. The Bonds are being issued pursuant to a refunding bond ordinance duly adopted by the City Committee and published as required by law, and a resolution (the "Bond Resolution"), such Bond Resolution being duly adopted by the City Committee on April 15, 2020. The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Beneficial Owners of the Bonds to assist the Underwriter(s) in complying with the Rule (as defined below). The City acknowledges it is an "Obligated Person" under the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Resolution which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for Federal income tax purposes.

"Dissemination Agent" shall mean, initially, the City or any Dissemination Agent subsequently designated in writing by the City which has filed with the City a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system, a website created by the MSRB and approved by the SEC to provide a central location where investors can obtain municipal bond information including disclosure documents. The City or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to www.emma.msrb.org.

"Financial Obligation" shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term "*Financial Obligation*" shall not include municipal securities as to which a final official statement has been provided to the MSRB (as defined below) consistent with the Rule (as defined below).

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the United States Securities and Exchange Commission.

"State" shall mean the State of New Jersey.

"Underwriter(s)" shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

SECTION 3. Provision of Annual Reports.

(a) The City shall provide or cause to be provided to the Dissemination Agent not later than 270 days following the end of each year, commencing with the year ending December 31, 2019, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the City are not available by September 1 of each year, the City shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the City, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the City.

(b) Not later than 285 days following the end of each year, commencing with the year ending December 31, 2019, the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

(c) If the City does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot forward the Annual Report to EMMA in accordance with subsection (b) above, the Dissemination Agent shall send a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the City (if the Dissemination Agent is not the City).

(d) Each year the Dissemination Agent shall file a report with the City (if the Dissemination Agent is not the City), certifying that the Annual Report has been filed with EMMA pursuant to this Disclosure Certificate, and stating the date it was provided.

(e) If the fiscal year of the City changes, the City shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the City, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

SECTION 4. Content of Annual Reports. (a) The City's Annual Report shall contain or incorporate by reference the following:

1. The audited financial statements of the City (as of December 31).

The audited financial statements are to be prepared in accordance with generally accepted auditing standards and audit requirements prescribed by the Division of Local Government Services, State Department of Community Affairs (the "Division") that demonstrate compliance with the modified accrual basis, with certain exceptions, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP) and the budget laws of the State.

2. Certain financial information and operating data of the City consisting of (i) the City's indebtedness, (ii) the City's most current adopted budget, (iii) the City's property valuation information, and (iv) the City's tax rate, levy and collection data, as applicable..

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the City is an "Obligated Person" (as defined by the Rule), which have been filed with the MSRB, through the EMMA system, or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds, as applicable:

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes relating to the Bonds;
12. Bankruptcy, insolvency, receivership or similar event of the City;
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

The City shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB, through the EMMA system, in accordance with the provisions of Section 5 of this Disclosure Certificate. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5 that require a materiality determination, the City may, but shall not be required to, rely conclusively on an opinion of counsel.

(b) Whenever the City has or obtains knowledge of the occurrence of any of the Listed Events that require a materiality determination, the City shall, as soon as possible, determine if such event would constitute information material, if applicable, to the Beneficial Owners of the Bonds.

(c) If the City (i) has or obtains knowledge of the occurrence of any of the Listed Events not requiring a materiality determination, or (ii) determines that the occurrence of a Listed Event requiring a materiality determination would be material to the Beneficial Owners of the Bonds, the City shall promptly notify the Dissemination Agent in writing (if the City is not the Dissemination Agent) and the City shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the City determines that the occurrence of a Listed Event requiring a materiality determination would not be material to the Beneficial Owners of the Bonds, the City shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the City) and the Dissemination Agent (if the Dissemination Agent is not the City) shall be instructed by the City not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB, through the EMMA system, in a timely manner not in excess of ten (10) business days after the occurrence thereof, with a copy to the City (if the Dissemination Agent is not the City). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Bondholders of the affected Bonds pursuant to the Bond Resolution.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the City is no longer an "Obligated Person" (as defined in the Rule). The City shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with the MSRB, through the EMMA system, in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Compliance with the Rule. Over the past five (5) years, the City of Bayonne has failed to comply with its prior undertakings to provide secondary market disclosure in connection with obligations issued by the City of Bayonne and conduit financings in which the City of Bayonne is an obligated borrower. Specifically, the City of

Bayonne failed to timely file certain annual financial information and operating data for the years ended December 31, 2014 through 2016. In addition, the City of Bayonne's unaudited annual financial statement for the year ended December 31, 2017 was timely filed prior to the required submission date, but the audit report for the year ended December 31, 2017 was not approved by the City of Bayonne City Council until its April 17, 2019 meeting. The City of Bayonne also did not promptly file event notices relating to its failure to timely file and certain underlying, insured and enhanced rating changes.

SECTION 8. Dissemination Agent; Compensation. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the City. The City shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the City to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the City, such determination being supported by an opinion of counsel expert in Federal securities laws, or by the approving vote of a majority of Beneficial Owners of the Bonds at the time of the amendment. The City shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as a Listed Event under Section 5 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the City agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the City) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the City further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Underwriter(s), and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 14. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the City

Donna L. Mauer
Chief Financial Officer

City of Bayonne
City Hall
630 Avenue C
Bayonne, New Jersey 07002

- (b) Copies of all notices to the Dissemination Agent from time to time with respect to the Bonds:

initially: Ms. Donna L. Mauer
Chief Financial Officer
City of Bayonne
City Hall
630 Avenue C
Bayonne, New Jersey 07002

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

SECTION 15. Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the City and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 16. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the City and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

SECTION 17. Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State, as applicable.

CITY OF BAYONNE

DONNA L. MAUER,
Chief Financial Officer

Acknowledged and Accepted by:
DISSEMINATION AGENT

N/A

AUTHORIZED SIGNATORY

EXHIBIT A

NOTICE TO MSRB VIA EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Bayonne, in the County of Hudson,
State of New Jersey

Name of Bond Issue: \$_____ Federally Taxable General Improvement Bonds,
Series 2020
Dated May 11, 2020
(CUSIP Number_____)

Date of Issuance: May 11, 2020

NOTICE IS HEREBY GIVEN that the above designated City has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate dated as of May 11, 2020 executed by the City.

DATED: _____

DISSEMINATION AGENT
(on behalf of the City)

cc: City of Bayonne